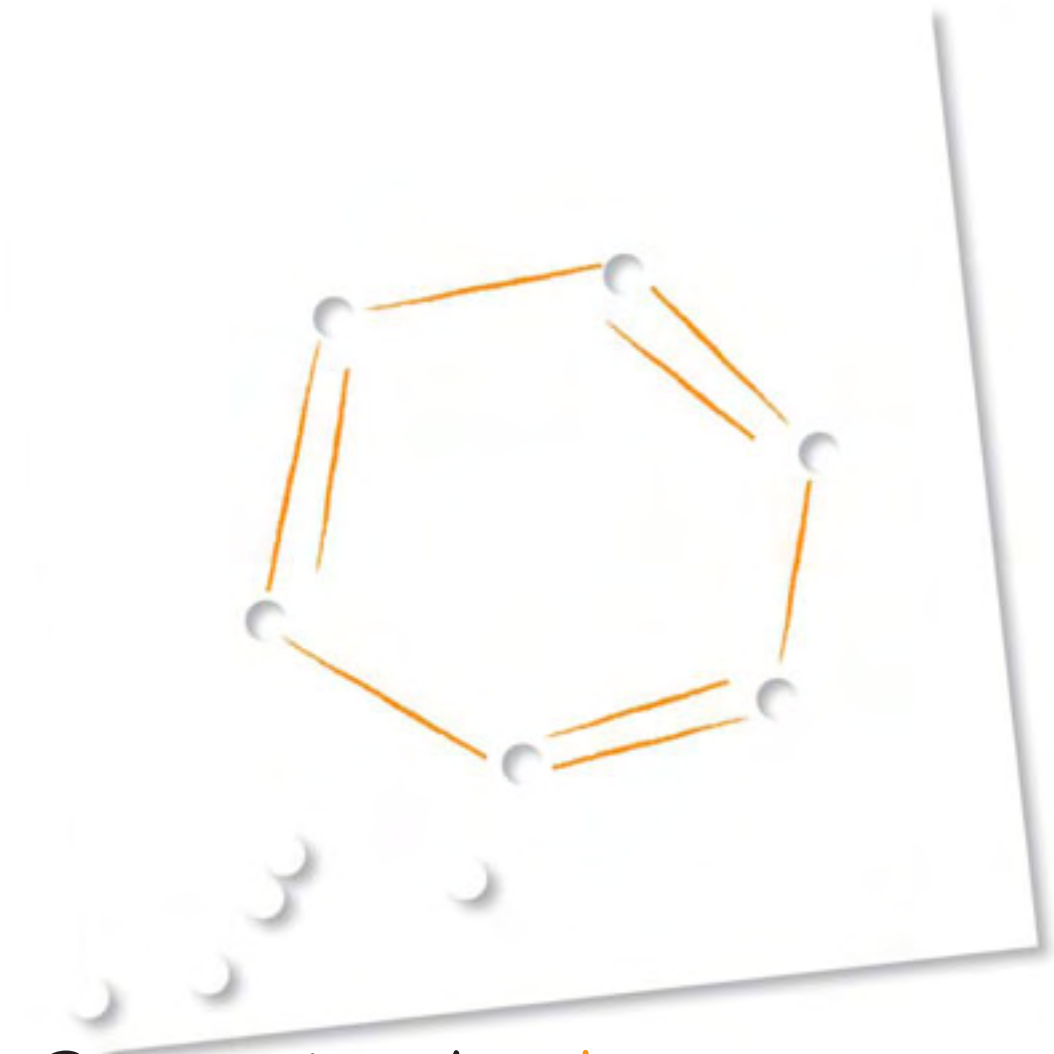
SUN PHARMA
ADVANCED RESEARCH
COMPANY LTD.

Annual Report 2010-11



Connecting the dots

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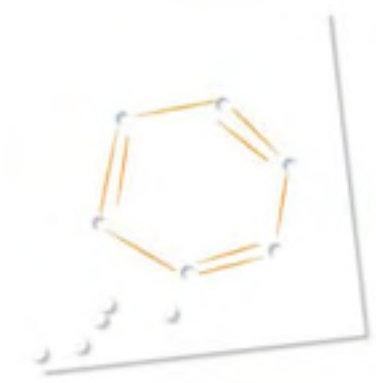

New molecule research and drug delivery system research often require a different alertness, connecting the disparate, often unconnected pieces of information, applying knowledge or understanding, perhaps from diverse scientific fields. To create a product or technology that is new to the world. So as to meet patient needs better. This is the insight we're working to build on, at SPARC.

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SPARC MANAGEMENT DISCUSSION & ANALYSIS

SPARC Centre, Baroda

INDUSTRY STRUCTURE AND DEVELOPMENTS

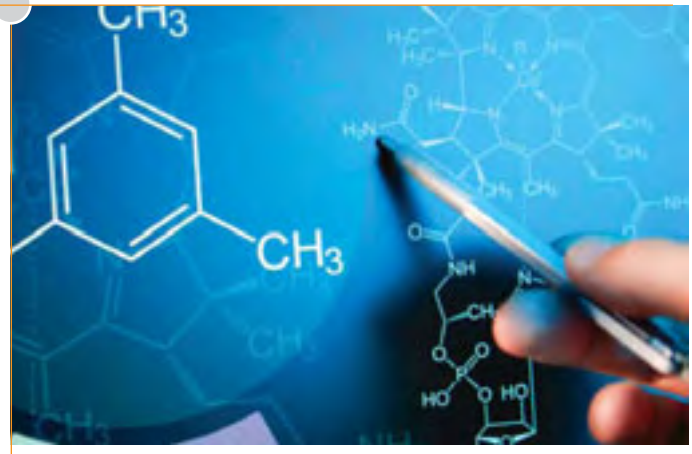
Innovative Pharma R&D in Indian industry is still in the early stages of evolution. Modest yet serious investments have been made and the first of projects are moving through different phases of research, some have even reached Phase III; and the first of delivery system based-projects based on India-developed technology have reached market. As is usual in such high risk projects, several projects fell by the wayside, though in the course of the year, several significant R&D deals such as Biocon's partnering deal with Pfizer for its insulins, Glenmark's continuing out licensing of leads and Sun Pharma's joint venture with Merck to develop innovative products for the emerging markets, are important validators of the quality of R&D work being done in the country.

When the sector began serious investments in drug discovery in the country in the early 1990's, we began with certain advantages both in terms of infrastructure and people that helped the industry take off earlier than it otherwise would have. Strong chemistry departments at the IITs, institutions such as CDRI, IICT, Central University Hyderabad as well others, NCL Pune, UDCT and RRL, meant that trained manpower was possible to source. After the first CRO set up base in the country in mid-nineties, and a number of international CROs as well as CROs were established by Indian companies, the base of professionals who had familiarity with clinical research was growing. Add to this a large pool of treatment naïve patients—patients who have never been treated for that particular ailment, plus the labor cost differential with the west, and the attractiveness of the country as a prime area for R&D increases.

Companies have developed moderate capabilities across a wide spectrum of R&D—genomics, custom synthesis, physical and chemical analysis, invitro and ex vivo studies, ADME, efficacy studies in animal models, animal toxicology, biopharmaceutics, biological sciences such as molecular biology, pharmacology, clinical pharmacology. data management and statistics.

However, capabilities essential for drug discovery and non clinical development are being learnt as the industry evolves. Especially significant is the shortage of manpower with requisite skills in advanced areas of biological sciences such as molecular biology, pharmacology, toxicology, clinical pharmacology.

One of the key reasons we believe the industry has not grown is funding. There isn't enough risk capital available. While skills are mobile, Indian pharma companies that derive revenues mainly from the branded generic/ generic markets lack the size to invest in high risk R&D. The cost of bringing a new molecule to market is estimated at $800 million. Industry experts estimate that on an average, out of 10,000 molecules being developed, only one or two are likely to reach market. Indian companies at this point, have limited capacity to take this risk. Of course, this should change once the first few completely indigenously developed products reach market. Any demonstration of success will attract investment and interest.



CAPABILITIES ESSENTIAL FOR DRUG DISCOVERY AND NON CLINICAL DEVELOPMENT ARE BEING LEARNT AS THE INDUSTRY EVOLVES. ESPECIALLY SIGNIFICANT IS THE SHORTAGE OF MANPOWER WITH REQUISITE SKILLS IN ADVANCED AREAS OF BIOLOGICAL SCIENCES SUCH AS MOLECULAR BIOLOGY, PHARMACOLOGY, TOXICOLOGY, CLINICAL PHARMACOLOGY.

One way that companies have begun to bridge this resource gap is through co-development tie-ups, partnering with a much larger multinational in order to focus on specific areas, or with a smaller company that has the requisite technical expertise.

Internationally, over the last few years, both because of stringent expectations at the USFDA and the fact that new leads more often than not address complex therapeutic targets and are therefore more prone to failure, new developmental pipelines from in-house R&D have begun to dry up for large multinationals. Pharma R&D in developed countries is becoming increasingly costly. The number of new drugs approved for marketing has reduced over the years, with the USFDA sanctioning 20 drugs in 2009 as against over 35 a year in the mid-nineties. There have been several headlines about larger companies reducing unproductive R&D investments to better conserve resources

Transmission electron microscope

FORMULATION DEVELOPMENT CAPABILITIES, PROCESS CHEMISTRY EXPERTISE, STATE OF THE ART TERTIARY HEALTHCARE FACILITIES, SKILLED WORKFORCE AND COST ARBITRAGE ARE THE KEY FACTORS THAT ARE QUOTED AS WORKING IN INDIA'S FAVOR AS AN R&D PARTNER OF CHOICE.

and focus on specific therapies, as also smaller discovery companies shutting down. This is partly an outcome of balancing escalating costs associated with drug discovery on one hand, with stringent regulatory hurdles to negotiate, and on other, the challenge of managing intricate innovation. Since there are fewer candidates that can be sourced internally in order to replace large blockbusters that go off patent at Big Pharma, new molecules are often licensed in and/or acquired from smaller or boutique pharma companies, or even university departments. Often, such in licensed molecules or delivery systems have an inherent therapeutic advantage, and once such a product reaches market, it would be able to justify a better pricing and reimbursement.

This co-development trend seems to be accelerating. This arrangement seems to benefit both partners, make the most of their expertise, while large pharma companies have the skills required to navigate the regulatory process and bring a product to market. Based on estimates of the current trend, it appears that 25% to 30% of research is outsourced, and this is where Indian companies view the immediate opportunity.

Several environmental changes in the early 1990's worked as a wake up call for Indian companies. The International Conference on Harmonization created familiarity with clinical research and created a climate for clinical trial data to be accepted across major international markets. The signing of TRIPS in 1995 was an eye opener for Indian pharma, and most large companies accelerated strategies to cope with as also to make the most of this change. The changes in the patent environment in India in 2005, that ushered in the same level of intellectual property protection as in the developed nations, were met with a state of readiness, and even an eagerness to take on the developed markets. Since access to new molecules through the reverse engineering route would be curtailed, companies were forced to quickly move up the learning curve for innovation. Companies also recognized the value they could potentially earn as participants in the research process, if a product were to reach global market. For most companies, this was a scale change.

This ambition is not without challenges. While the industry has demonstrated capabilities in chemistry, analytical work and process development, and there are external pockets of expertise in genomics, biopharmaceutics, clinical development that can be accessed, we may still need to invest in upgrading our knowledge base in the areas of new biology, target validation, Good laboratory Practice (GLP), Good Clinical Practice (GCP), that may be a prerequisite for bringing a new molecule or product to market. Industry is also aware of the fact that we are working with increasingly stringent standards, and that these standards are prone to frequent review. The regulatory framework in India that companies, must follow for trials that are conducted in India, need to be similar to standards that exist internationally.

Formulation development capabilities, process chemistry expertise, state of the art tertiary healthcare facilities, skilled workforce and cost arbitrage are the key factors that are quoted as working in India's favor as an R&D partner of choice. There

are estimates that quote the cost of doing R&D in India as a fraction of the cost in an advanced country. Clinical research costs are estimated to be 100-200% lower in India. Current data from another report indicates that fully loaded cost of non clinical operations in India is just a fraction of costs in US and Western Europe.

Companies also offer outsourcing of preclinical work, contract animal toxicology and lead generation. Yet other companies have created a customer base with formulation development, stability testing and analytical development.

Another emerging trend in recent years is that of pharma companies and venture capital or private equity funds partnering for specific projects or entire pipelines, in exchange for a stake. In such cases, several rounds of capital infusion happen before if and when a product reaches market. Since R&D projects carry uncertain time frames and high risks, private equity companies typically invest in a portfolio of leads or companies in order to better balance the risks. Yet, at the risk of repetition, for the opening of the floodgates, the critical mass in research, this may happen only after the first few successes of research from India reach market.

OPPORTUNITIES AND THREATS

Most Indian companies, like SPARC, have been focusing on addressing two areas: analogue chemistry for new chemical entities with improved profiles of validated targets, and the development of novel drug delivery systems for existing or new molecules specifically designed to address a certain issue with current therapy or offer advantages.

While the country continues to lead for outsourced services such as data management, statistics and biometrics, countries across South East Asia and some countries across Central Europe are moving up the ranks. While we benefit on account of a broad range of skills, any substantial shift in the cost differential will work against the sector. Experts estimate that the wage and cost differentials may normalize over a decade.

Biotech is being viewed as the next IT-like sector, and in an effort to channel these investments and jobs to their state, several states have in place their biotech policies and have created dedicated infrastructure at Biotech parks. Over the longer term, these will help create a pool of talent in areas where our expertise is as yet, limited.

As global multinationals set up R&D centers in India, while over the longer term, this increases the talent pool in the country, this directly exerts wage pressure on the limited talent pool in the newer areas of research such as biology work.

There is a serious need for upgrading the quality of support services, such as quality of preliminary and continuing training, quality and timeliness of support services from local or supplementary vendors. There is concern, too, about whether our administrative setup for regulatory work and patents is capable of handling both the complexity of new research and a large volume of patent applications.

If India has to compete with developed markets for a share of the research pie, a renewed focus on speed across the concerned areas will be required. To kickstart this initiative the Government of India has announced a public- private partnership with 50% public funding. The government intends to catapult India to a top 5 pharma innovation hub by 2020, so that one out of every 5 to 10 drugs discovered worldwide originates from India.

Regulatory lead time when applicable, speed of 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.

SPARC HAS BEEN FOCUSING ON ADDRESSING TWO AREAS: ANALOGUE CHEMISTRY FOR NEW CHEMICAL ENTITIES WITH IMPROVED PROFILES OF VALIDATED TARGETS, AND THE DEVELOPMENT OF NOVEL DRUG DELIVERY SYSTEMS FOR EXISTING OR NEW MOLECULES SPECIFICALLY DESIGNED TO ADDRESS A CERTAIN ISSUE WITH CURRENT THERAPY OR OFFER ADVANTAGES.

PERFORMANCE HIGHLIGHTS

1 NDDS PROJECTS

The SPARC team is working on several interesting NDDS platform technologies, which are at various stages of development. Some of these technologies have moved far beyond proof of concept, and products using these approaches have reached the Indian market.

a. Oral

1. Gastro retentive innovative device (GRID™)

2. Wrap matrix controlled release technology™

b. Injectables

1. Nanoparticulate formulations

2. Biodegradable depot injections

c. Topical

1. Dry powder inhaler and nasal sprays

2. SMM technology for ophthalmic formulations

3. GFR technology for once-a-day ophthalmic formulations.

a. Oral

1. GRID™

This is an ideal once-a-day delivery system for drugs that are otherwise absorbed only from the stomach or intestine, upper part of the gastrointestinal tract, or may have a low solubility in intestinal fluid. However, since most drugs would transit the stomach rather quickly, it is difficult to make these into long acting or controlled release formulations.

Longer retention in stomach improves drug absorption.

The tablet can be designed to offer a combination of instant and sustained drug release profiles, and since it is once-a-day, it improves patient compliance.

Based on GRID, Baclofen GRS, a once-a-day capsule to treat muscle spasticity, has been launched in India.

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 is the largest prescribed drug for this indication, world wide.

Baclofen GRS uses a proprietary gastric release 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.

After extensive clinical trials, Baclofen ER capsules in six strengths are being marketed in India.

For the US, Phase III clinical trials will now be started for Spasticity, after intensive user surveys and specific protocol assessment with the USFDA. First patient is expected to be in by Q3 FY12. One open label efficacy and safety study in alcohol dependence is planned in India, and regulatory approval for clinical trials is under way.

2. WRAP MATRIX™

This oral delivery system is designed to offer symptom control of a drug administered once-a-day which would otherwise have to be taken several times a day.

Usually, controlled release dosage forms of very high dose and high solubility products are either, very large and difficult to swallow, or tend to release its entire drug at the same time ("dose dumping").

A combination of instant and long-term release is also tough to achieve in the same tablet. With SPARC's proprietary Wrap Matrix™ technology, a multi-layered matrix-based tablet of such drugs offers controlled release with just once-a-day dosing without creating too bulky a tablet for products requiring a large daily dose.

Levetiracetam, an anti-epileptic with high solubility and very large dose has been developed as a 1000 mg and 1500 mg tablet and bioequivalent to Keppra. Pivotal pharmacokinetic studies have been completed, and we intend to file this product as a 505 b(2) filing in Q3 FY12.

A skeletal muscle relaxant with an ultra short half life that has been designed to offer better therapeutic action over the repeat dose IR product currently available, is in Phase III studies.

A controlled release formulation has been developed for a cardiovascular agent with high dose and high solubility. The product is in pharmacokinetic studies, to be completed by Q3 FY12. Combinations with various drugs with complementary mechanisms of action are under development

An anticancer combination and two CNS agents are also being worked on.

Electron scanning microscope

Eight controlled release products based on this technology have already been launched in India. They include molecules like Metoprolol (antihypertensive) & its combinations, Ropinirole, Pramipexole & Bupropion.

Venlafaxine ER (antidepressant), based on this technology, has already been approved by EU & USFDA. Two more ANDAs have been filed with the USFDA.

Products with a very high dose can be formulated into a simple-to-swallow tablet using this technology. Since the release profile with this technology is not simple to copy, the risk of generics is limited.

PRODUCTS WITH A VERY HIGH DOSE CAN BE FORMULATED INTO A SIMPLE-TO-SWALLOW TABLET USING THIS TECHNOLOGY. SINCE THE RELEASE PROFILE WITH THIS TECHNOLOGY IS NOT SIMPLE TO COPY, THE RISK OF GENERICS IS LIMITED.

b. Injectables

1. SELF DISPERSING NANOPARTICLE TECHNOLOGY

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.

The anticancers that we've created using SPARC's novel self dispersing Nanoparticle technology platform addresses these challenges. Our technology has been crafted to deliver higher drug localization to the cancer cells, use lesser excipients, and deliver a higher dose—and it is gratifying to see the rationale behind this work in practice.

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. Since infusion time is shorter with these nanotech products, hospital stay could be shorter.

Paclitaxel Injection for Nandispersion (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 a 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.

Abraxane®, the world's first reformulated Paclitaxel product available internationally, tries to circumvent this issue of toxicity.

OUR PRODUCT HAS A QUICK AND EASY ONE STEP DILUTION AND INFUSION. SINCE INFUSION TIME IS SHORTER WITH THESE NANOTECH PRODUCTS, HOSPITAL STAY COULD BE SHORTER.

Abraxane® has several advantages- pre-medication with high dose corticosteroids and antihistamines is not required, a higher dose of Paclitaxel can be delivered. As a result, Abraxane® commands a significant premium to generic Paclitaxel.

However, Abraxane® uses solvent processed 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.

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

Our product, PICN is a novel formulation of Paclitaxel using SPARC's proprietary nanoparticle platform technology. The drug achieves 30% higher concentration in tumour tissues compared to conventional Paclitaxel in animal studies.

For PICN, the patient does not need to be prepared by giving high doses of steroids, antihistamines and anti-emetics. No inline filters and special infusion sets are required. The medication also shows a linear, predictable response even at higher doses.

Unlike Abraxane®, quick and easy "one step" dilution and infusion preparation is offered, with a shorter infusion time. Our product offers a superior safety profile compared to Abraxane®, observed in Phase I clinical study in India.

Preclinical studies were satisfactory.

Phase I

Toxicity comparable to Abraxane®*

	PICN 260mg/m^2 n= 9 , (%)	Abraxane®# 260mg/m^2 n=229, (%)	Taxol®† 175mg/m^2 n=225, (%)
Neutropenia <2.0 x 10^9/L	7 (77.78)	183 (80)	185 (82)
Neuropathy Any Symptoms Severe Symptoms	1 (11.11) 0	163 (71) 23 (10)	124 (56) 7 (2)

**This comparison with large historical data of Abraxane® and Taxol is for the purpose of interpreting PICN data. PICN safety remains to be established in large, randomized clinical trial*

 # Abraxane® PI

NMR Lab, SPARC, Baroda

WE HAVE PROPOSED PICN AS COMBINATION THERAPY WITH A PLATINUM COMPOUND WITH A HIGHER DOSE AND A WEEKLY DOSING STUDY WITH A LOWER DOSE. THE STUDY WILL BEGIN IN Q2 FY11.

After extensive preclinical studies, Phase I clinical trials were completed in 36 patients with metastatic breast cancer, where our product showed significantly lower neutropenia and neuropathy, and a superior safety profile compared to reported data for Abraxane®.

PICN shows linear pharmacokinetics over the dose range of 135 -295 mg/ sq mt. Further, the maximum tolerated dose was 295 mg/ sq m, which was higher than the commonly used dose of Abraxane® of 260 mg/ sq mt. Which means a higher dose can be given to patients without limiting side effects. Objective response rate was observed in 10 of 25 (40%) PICN treated subjects evaluable for efficacy. There was no hypersensitivity reaction in patients treated with PICN despite the lack of pre-medication.

In Phase II/ III studies, PICN has been evaluated at two doses, 260 mg/ sq mt and 295 mg/ sq mt. This is a study in180 patients with metastatic breast cancer, and the higher dose appears to be well tolerated in the patient groups being tested, with higher objective response rate. The trend of superior efficacy in Phase II trials continues to be in favor of our PICN, with greater percent reduction in tumor size from baseline.

For the US, we plan to use the 505(b)(2) route to register this product, an IND has been filed and ethics committee approval received.

We have proposed PICN as combination therapy with a platinum compound with a higher dose and a weekly

dosing study with a lower dose. The study will begin in Q2 FY11.

Docetexel Injection Concentrate for Nanodispersion

We have developed a self dispersing nanoparticle 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 up to 7.5 times the conventional formulation. Our formulation also achieved significantly higher concentration in tumors compared to the innovator brand.

Aerosol Lab, SPARC, Baroda

OUR BIODEGRADABLE DELIVERY SYSTEM OFFERS RAPID ONSET AND PROLONGED RELEASE OVER MONTHS. SINCE UNIFORM BLOOD LEVELS ARE REACHED, THERE ARE NO PEAKS AND VALLEYS THAT ARE SEEN WITH FREQUENT DAILY DOSES.

In Phase I clinical trials in patients with solid tumor, doses up to 150 mg/sq mt were found to be tolerated and effective. Compared to this, the usual dose that Docetaxel is administered is from 60- 100 mg/ sq. mt.

For DICN also, the patient does not need premedication of steroids and antihistamines. No inline filters and special infusion sets are required.

The extension of our Nanoparticle technology platform to this product is a validation that the platform technology works across numerous water- insoluble molecules.

For the US, this product will be filed as a 505 b(2). A pre-IND meeting with the USFDA is likely in FY12.

For India, Phase I study in solid tumor patients has been completed. Phase II study in NSCLC patients is planned in Q3 FY12.

2. BIODEGRADABLE IMPLANTS/ INJECTIONS

The treatment of serious conditions such as prostate cancer, acromegaly, etc. 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. Currently available depots have drawbacks that the drug would need a few weeks to reach the desired blood levels.

SPARC has developed 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 delivery system offers rapid onset and prolonged release over months. Since uniform blood levels are reached, there are no peaks and valleys that are seen with frequent daily doses.

Our product is manufactured in a proprietary, automated manufacturing unit with stringent controls and sophisticated analytical equipment.

Based on this technology, Somatostatin analogue microspheres for one month and three month release are being developed.

Somatostatin Analogue Microspheres (Octreotide)

Somatostatin analogues are used to treat acromegaly and growth hormone dependent cancers. Since somatostatin has a short half life, it needs to be administered 3-4 times per day. Our scientists have created a 1 month long single injection that offers tailored release of the drug.

Our process of manufacturing microspheres is cleaner compared to the other products available which uses class 2 solvents in large quantities.

A Phase III study in acromegaly patients has been completed with satisfactory results, and a brand has been launched in India. Activities are ongoing for an IND filing of this product in US in FY 12.

A similar product designed to release the drug over a three month period is currently under development and is expected to greatly enhance patient compliance.

A few CNS agents are also being investigated as injectable depot systems.

c. Topical

1. DPI

Asthma affects over 300 million patients worldwide. Total asthma market in developed countries (US, Europe and Japan) was valued at $ 34 billion in 2010.* Inhalation drugs contribute 70% of this market.

Inhaled short and long-acting beta agonists and corticosteroids are fundamental to the treatment of asthma. Dry Powder Inhalers (DPIs) containing long-acting beta agonists and inhaled corticosteroids constitute the largest drug class with sales of US$ 10.4 billion* and market share of 54%.

SPARC's DPI device offers premetered 60 doses that are activated by inhalation.

Our device is small, convenient and 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.

Dry powder inhaler device

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. Our product has demonstrated comparable efficacy to Seretide Diskus in a 113 patients 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 ensures easy night-time use. There is a feature for assisting the visually impaired, as reminder to refill the device, when 8 doses remain.

In head-on trials versus the innovator device, SPARC's DPI demonstrated statistically and clinically significant improvement from the baseline 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 in India have been completed with this device and the product is likely to be launched in the domestic market, in the first half of 2011.

For the US, we are using the 505 b(2) route, a pre IND meeting has been completed with the USFDA and the initial response seems to be positive. An IND is likely to be filed in FY12.

2. SWOLLEN MICELLE MICROEMULSION (SMM) TECHNOLOGY

A brand of latanoprost, Latoprost RT has been launched in the Indian market with excellent response.

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.

** IMS Health data*

Prostaglandin analogues such as Latanoprost are the first line treatment for glaucoma and form the largest drug class of the glaucoma market which is estimated to reach US$ 3.35 billion* by 2015.

The currently marketed Latanoprost contains a preservative, Benzalkonium Chloride (BAK). BAK not only acts as a preservative, but it also solubilizes the drug in its micellar structure and is used in almost double quantity than normally required.

Ultra performance liquid chromatography, SPARC, Baroda

SMM TECHNOLOGY IS A PLATFORM TECHNOLOGY THAT HAS BEEN DEVELOPED BY SPARC FOR SOLUBILIZING OPHTHALMIC DRUGS WITH LIMITED OR NOSOLUBILITY. THIS TECHNOLOGY DOES NOT REQUIRE THE USE OF QUATERNARY AMMONIUM PRESERVATIVE/SURFACTANTS LIKE BENZALKONIUM CHLORIDE.

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

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

Our product contains BAK-free Latanoprost. It is a patented formulation of Latanoprost with similar strength and dosing. Removal of BAK reduces tearing, burning, itching, and hence reduces drainage from the surface of the eye. Our product does not need any special refrigeration for storage/ transport.

SPARC completed a 4 week, randomized, multicenter Phase III study with 100 subjects to compare the safety and efficacy of SPARC's latanoprost with Xalatan. Clinically and statistically significant reductions in IOP were observed with SPARC's latanoprost. Safety and efficacy outcomes were comparable to Xalatan. A 8-week study on 25 subjects demonstrated improved tear-break-up-time and overall ocular surface disease index scores after switching patients from a BAK-containing latanoprost to the BAK-free latanoprost.

IND has been approved at the USFDA. The USFDA had required a Phase III study for product registration, and enrollment for a 518 patient study is well underway. This study is expected to be completed by Q3 2012.

GFR TECHNOLOGY

GFR Timolol Maleate once-a-day ophthalmic developed by the team at SPARC has been launched in India to very good acceptance.

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 has desired flow property. The physical properties of our product are similar to natural tears. The product has the characteristics of an ideal eye drop- clear colorless solution, bio-adhesive yet non sticky

Equivalent efficacy of Timolol maleate 0.5% administered once-a-day was established in clinical trial in 100 patients comparing with Timolol maleate 0.5% administered twice a day.

4. Latanoprost + Timolol once a day ophthalmic

Latanoprost and Timolol are existing drugs used for the treatment of glaucoma. Typically, these drugs need to be instilled life long.

** IMS Health data*

Glaucoma is said to be the second leading cause of blindness globally, and is estimated to have a global incidence: 65 million glaucoma patients.

Prostaglandin analogues such as Latanoprost are the first line treatment for glaucoma and form the largest drug class. Latanoprost (Xalatan®, Pfizer) is the most successful prostaglandin analogue for glaucoma with 2008 global sales ~ $ 1.6 billion.

Both these drugs- Latanoprost and Timolol, have different mechanisms of action. In over 40% of patients with glaucoma, a combination of drugs is required to be given. However, if these drugs are given singly and one after the other, there is a strong likelihood of the drug that is administered the first, being washed out.

The currently marketed Latanoprost and Timolol combination contains a preservative, Benzalkonium Chloride (BAK). BAK not only acts as a preservative, but it also solubilizes the drug in its micellar structure. It also increases resorption of latanoprost active form. However, it has been shown that on long term use, such BAK containing eye drops may be harmful to the eye surface.

Our product contains BAK-free Latanosprost for improved ocular retention. Removal of BAK 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.

The second active ingredient in our formulation is Timolol. Timolol is typically instilled into the eye 2-3 times a day. SPARC's unique Timolol OD formulation traps the drug in a viscous matrix. However this unique polymer mix has been created with similar properties as natural tears, so there is no change in visibility for the patient. Timolol is released gradually from this matrix during the course of the day. This Timolol OD has clinically been proven to be equal to twice-a-day Timolol.

Our combination product contains essential features of our two ophthalmic platform technologies.

SPARC is pursuing the 505(b)(2) route for development of this delivery system.

The Phase III efficacy and safety study is ongoing in India, for marketing approval.

OUR PRODUCT CONTAINS BAK-FREE LATANOPROST FOR IMPROVED OCULAR RETENTION. REMOVAL OF BAK REDUCES TEARING, BURNING, ITCHING, AND HENCE REDUCES DRAINAGE FROM THE SURFACE OF THE EYE.

2 NEW CHEMICAL ENTITIES

Over the last few years, we'd shared data about the projects related to therapeutic analogues/ bioavailability modification that the team at SPARC had been working on. We believe these projects, which are more focused on chemistry, offer a better handle on risk, resources and timelines

This section details the current status of these molecules:

- Sun 1334H
- Sun 0597
- Sun 09
- Sun 44
- Sun K 706

I) Sun 1334H

This anti-allergic antihistamine, the first of SPARC Ltd's molecules, is being developed for oral and topical (eye drop and nasal) use. Antihistamines are prescribed in conditions like allergic rhinitis, urticaria, hay fever, conjunctivitis and pruritis.

Sun 1334H offers an advantageous pharmacological and safety profile compared to the currently marketed antihistamines.

In preclinical studies, Sun 1334H showed efficacy as a potent antihistamine and selective H1 blocker with fast onset and long duration of action. Sun 1334H also showed good anti-inflammatory activity.

A two year long carcinogenicity study in animal models, with the oral formulation of Sun 1334H, as a part of chronic toxicity studies, has been completed and the initial results are quite encouraging.

On account of the cardiac toxicity seen with oral antihistamines, the USFDA requires submission of safety data on thorough QT studies (TQT studies) at very high doses. The pilot TQT studies with the oral Sun 1334H formulation are ongoing, and the initial results seem to be favourable.

Phase III studies of the oral Sun1334H will commence once the data from the TQT studies is completely analyzed and found acceptable.

Sun 1334H is also being studied for ophthalmic conditions like pink eye or allergic conjunctivitis. In preclinical studies as we had previously shared, a 0.3% solution of Sun 1334H eye drop showed a good inhibition of allergen and histamine induced conjunctivitis on once-a-day dosing. Chronic toxicity for the eyedrop formulations is ongoing. In a Phase I study conducted in India with the eyedrops, it was found to be well tolerated by healthy volunteers. A Phase II study (Conjunctival allergen challenge), is ongoing in the US.

II) Sun 0597

Sun 0597 is a topical glucocorticoid that we've been working on, for allergic rhinitis, asthma and other applications. We are currently developing the molecule for administration as a nasal spray, an inhalation product, an ophthalmic product as well as a dermal product.

Non-systemic glucocorticoids are used to treat inflammations of the airway, skin, eye, and gastrointestinal tract. However, long term use of glucocorticoids in chronic inflammatory disorders can result in hypothalamus- pituitary- adrenal axis suppression, osteoporosis, lowered immunity, growth suppression, behavioral changes and lipid metabolism changes. Our product is likely to be free of these limiting side effects.

Sun 0597 appears to be a novel, safe non systemic glucocorticoid with a promising therapeutic index.

In preclinical studies, Sun 0597 administered through the nasal route had shown good potency in animal models for inflammation, as well in models of asthma and rhinitis. The oral bioavailability as well as the plasma half life was very low, and therefore the molecule was expected to show a low likelihood of systemic side effects.

Sun 0597 had also demonstrated in preclinical screens a high therapeutic index compared to the currently marketed corticosteroids, which means it is probably safer in long term use.

Subsequent to the regulatory permission which was received last year, we have commenced Phase I studies for the nasal formulation. Interim report for the first-in-man Phase I safety and tolerability study have been submitted to the Drug Controller General of India. In addition, multiple dose safety evaluation is being studied and is expected to be completed by 2011 end. Further clinical safety and phase II studies are expected to begin on conclusion of the phase I study and examination of the data. Phase IB study is ongoing, likely to be completed by Q2 FY12.

For the inhalation product, toxicity studies are in progress. IND filing to the Drug Controller General of India I is expected by Q4 FY 12.

For the topical formulation, preclinical studies are ongoing. Formulation development is likely to be completed by Q2 FY 12. IND filing is expected by Q4 FY 12.

For the ophthalmic formulation of Sun 597, preclinical studies for the selection of appropriate strength and formulation are ongoing. Formulation development is expected to be completed by Q2 FY 12. IND filing is likely by Q4 FY12.

FOR THE OPHTHALMIC FORMULATION OF SUN 597, PRECLINICAL STUDIES FOR THE SELECTION OF APPROPRIATE STRENGTH AND FORMULATION ARE ONGOING. FORMULATION DEVELOPMENT IS EXPECTED TO BE COMPLETED BY Q2 FY 12. IND FILING IS LIKELY BY Q4 FY12.

III) 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 and being developed as “an efficient baclofen”. Unlike Baclofen, this NCE would avoid narrow window of absorption, enabling absorbtion throughout the length of the intestine, thus offering better systemic availability from an equivalent dose.

In extensive animal studies Sun 09 had shown good efficacy without any additional safety concerns.

Phase I studies have now been completed satisfactorily with the IR tablet, where good absorption and no dose limiting toxicity was observed. Phase I studies of the slow release formulation of Sun 09 is expected to be completed by Q3 FY12.

BACLOFEN IS THE STANDARD DRUG OF CHOICE FOR THE TREATMENT OF SPASTICITY.

IV) 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 level. 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. Once absorbed, Sun 44 is converted to gabapentin. In animal studies, gabapentin shows good efficacy and rapid absorbtion.

Also, Sun 44 does not raise any additional safety concerns on account of its molecule structure. Organ toxicities related to acetaldehyde, such as liver, brain, and cardiac toxicities have not been observed.

IND has been approved by the regulatory authority in India. Phase I trials are to be initiated in FY12.

V) Sun K706

Sun K706 is a novel tyrosine kinase inhibitor, intended for the treatment of chronic myelogenous leukemia (CML). While currently available oral drugs like Imatinib (Gleevec®), Nilotinib (Tasigna®) and Dasatinib (Spycel®) are quite effective chemotherapeutic agents for CML, these drugs are ineffective on the most resistant form of mutation in leukemic cells, viz. the T315I mutation. In fact, currently there is no approved drug for the patients who become resistant to therapy and are diagnosed with the T315I mutation. Besides, the current therapeutic agents are also known to cause cardiac side effects (QT prolongation), myelosupression, liver toxicity, bleeding, electrolyte imbalance and fluid retention.

Our novel NCE Sun K706 targets this T315I resistance in CML. In vitro studies have demonstrated that Sun K706 potently inhibits, besides other major mutant forms, the T315I mutant of

the Abl kinase. Further, preclinical studies to demonstrate safety and efficacy are underway. Toxicity studies that are required for filing IND application are expected to be completed by Q4 FY12. IND filing is expected to be done in Q1 FY13.

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, or have been launched.

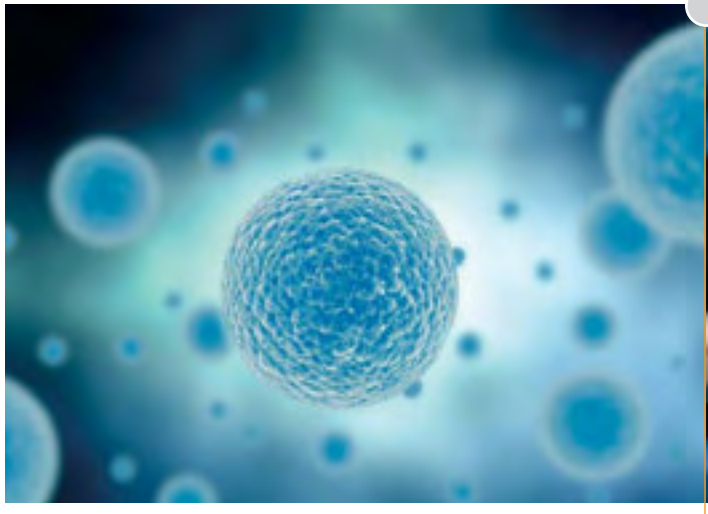
RISKS AND CONCERNS

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.

SUN K706 IS A NOVEL TYROSINE KINASE INHIBITOR, INTENDED FOR THE TREATMENT OF CHRONIC MYELOGENOUS LEUKEMIA (CML). WHILE CURRENTLY AVAILABLE ORAL DRUGS LIKE IMATINIB (GLEEVEC®), NILOTINIB (TASIGNA®) AND DASATINIB (SPYCEL®) ARE QUITE EFFECTIVE CHEMOTHERAPEUTIC AGENTS FOR CML, THESE DRUGS ARE INEFFECTIVE ON THE MOST RESISTANT FORM OF MUTATION IN LEUKEMIC CELLS.



SPARC DIRECTORS' REPORT

X ray crystallography lab, SPARC, Baroda

Your Directors take pleasure in presenting the Sixth Annual Report and Audited Accounts for the year ended 31st March, 2011.

Rs in thousands

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Total Income	595,872	346,309
Profit/(Loss) before Depreciation & Tax	(55138)	(189,447)
Depreciation	29,859	25,991
Profit/(Loss) before Tax	(84,997)	(215,438)
Provision for Tax (includes Deferred tax, Wealth tax & Fringe Benefit Tax)	10	96
Profit/(Loss) after Tax	(85,007)	(215,534)
Balance brought forward from Previous Year	(405,640)	(190,106)
Balance carried to Balance Sheet	(490,647)	(405,640)

DIVIDEND

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

FINANCE

NCE and NDDS projects are typically long gestation period projects, with revenue/ royalty streams closer to market. Your Company's NCE and NDDS projects which are at various stages of development, and the significant growth plans of your Company are likely to require significant investment. Your Company is therefore evaluating various options to raise additional funds for which approval of the shareholders is being sought at the ensuing Annual General Meeting of the Company.

DIRECTORS

Dr. T. Rajamannar and Mr. S. M. Dadha, Directors of the Company, retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for reappointment.

Mr. Dilip Shanghvi had been appointed as the Chairman & Managing Director of the Company for a period of five years from 1st March, 2007 upto February 29, 2012. He has been re-appointed by the Board of Directors as the Chairman & Managing Director of the Company with effect from 1st March, 2012 without any remuneration, for a further period of five years, and the approval of members is sought for his re-appointment, at the ensuing Annual General Meeting.

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 is committed to do quality research work, and has a dedicated team of about 237 employees, of which 210 are highly qualified and experienced scientists comparable to those existing internationally. We understand and value that all employees are career conscious and growth of employees is intrinsically linked with the growth of the organization and vice versa. Therefore, employees' career development is a part of human resources mission. We practice a culture of performance and excellence, reward talent, and provide comprehensive development and learning opportunities, on job training, challenging work content and respect human dignity.

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, 2011, 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, 2011 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

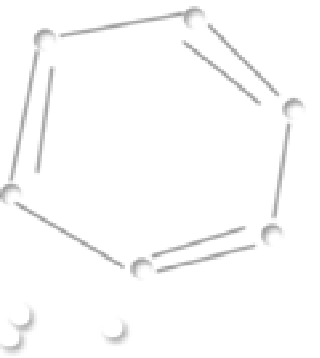
Your Directors wish to thank all stakeholders and business partners-your Company's bankers, medical profession and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the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

For and on behalf of the Board of Directors

Place : Mumbai
Date : 7th May, 2011

Dilip S. Shanghvi
Chairman & Managing Director

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
  - Cancer
- 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, chronic toxicity studies are ongoing. Currently it has also been developed preclinically as an eye-drop for ophthalmic indications. IND filed in the US, phase II clinical trials by ocular administration has been ongoing.

Inflammation

SUN-597 is a locally acting anti-inflammatory glucocorticoid receptor agonist, belonging to the category called "soft steroids". Preclinical development has been completed for SUN-597 for use in the treatment of allergic rhinitis and asthma, administered as nasal drops and as a inhaled product.. For nasal drops, investigational new drug application (IND) has been approved in India for conducting clinical trials and Phase I B is ongoing. For the inhaled product, preclinical toxicity is ongoing and IND filing is likely in FY 12. A topical cream and eyedrops are also under development, with IND filing in FY12.

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. Investigational new drug application (IND) has been approved in India for conducting clinical trials,and Phase I is planned in FY12.

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 spasticity related to CNS disorders. Investigational new drug application (IND) has been approved in India for conducting clinical trials.Currently phase I clinical trials are planned in FY12.

Anticancer K 706

Our lead SUN-K706 targets resistant CML. Toxicity studies have started and the IND is likely to be filed in FY 13.

Novel Drug Delivery Systems (NDDS)

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

- Oral Controlled release systems
  - Gastric retention systems (GRS)
  - Matrix system (wrap-matrix)
- Targeted drug delivery-Injection
  - Nanoparticle based products
- Biodegradable injections/ implants
- Topical drug delivery systems
  - Novel device for inhaled drugs
  - SMM technology for ophthlamic solution
  - GFR technology for ophthlamic solution

ORAL CONTROLLED RELEASE SYSTEMS

Gastro retentive innovative device (GRID)

An innovative gastro retentive system (GRS) has been devised that allows longer retention 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 . SPA for Baclofen GRS is awaiting approval with USFDA, first in patient by FY12. Baclofen GRS has been launched in India. A study is also planned in alcohol dependence.

Wrap matrix system

A novel platform technology, consisting of coated multi layered tablets has been developed that offers gradual and controlled release of drugs. This technology is suitable for drugs those are highly soluble and are required to be administered in high doses. Based on this technology a few ANDAs for controlled release dosage form have been filed with USFDA. Multiple products are also commercialized in India .

INJECTABLE TARGETED DRUG DELIVERY

Nanoparticulate formulations

Nanotechnology based delivery systems enable selective delivery of cytotoxic drugs to cancerous tissues. In this technology, drugs are encapsulated within nanoscale carriers derived from biocompatible/ biodegradable polymers and lipids. Two products, PICN and DICN are under development.

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.

A peptide drugs formulation using this technology is in development.

Novel device for inhaled drugs

A newly engineered dry powder inhalation device which enables convenient and uniform dose administration of drugs for asthma and COPD. The device is 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.

SMM technology for ophthalmic formulations

After extensive trials, latanoprost OD has been launched in India. IND has been approved at the USFDA. The USFDA requires two Phase III studies for product registration, and these are expected to be done in FY 12.

GFR technology for once a day ophthalmic formulations

After Phase III trials, Timolol OD ophthalmic solution has been commercialised in the Indian Market. SPARC is also pursuing the 505(b)(2) route for development of this technology for combination of timolol and latanoporst. The Phase III efficacy and safety study is ongoing in India for marketing approval in India.

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. NCE’s 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.

2. 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 clinical studies on cardiovascular safety and renal safety by oral route

-Complete phase I studies in india by ophthalmic route

-Complete chronic toxicity studies by oral route

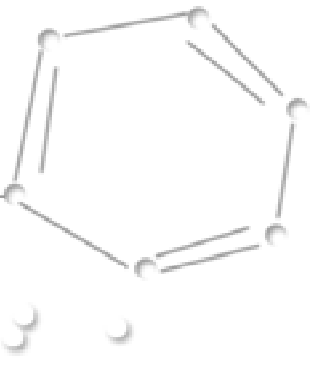
-File IND in US for ophthalmic indication

Inflammation – SUN-597

-Complete phase I clinical studies by intranasal route

-File IND with USFDA for intranasal product

-Complete toxicity studies by inhalation route and file IND



-Complete formulation development and preclinical studies for efficacy in ophthalmic and dermal routes of administration

Pro-drug – SUN-44

-IND approved in India, to initiate phase I clinical studies in India

Pro-drug – SUN-09

-Complete phase I clinical studies in India with slow release Sun 09

Novel Drug Delivery Systems (NDDS)

ORAL CONTROLLED RELEASE SYSTEMS

Gastro retentive innovative device (GRID)

IND for Baclofen GRS is filed with USFDA in 2010 SPARC is awaiting approval. This product has already been launched in India. Regulatory approval awaited for study in alcohol dependence

Wrap matrix system

One ANDA based on this technology (Venlafaxine ER) is aproved by USFDA and product is launched in USA .

Two more ANDAs are filed and awaiting approval.

Levitiracetam has completed pivotal pharmacokinetic studies. Products under development include a cardiovascular agent, anticancer, skeletal muscle relaxant, CNS agents.

INJECTABLE TARGETED DRUG DELIVERY

Nanoemulsion

PICN- IND filing has been completed and phase I is to begin. In India, a phase II/III study is initiated in metastatic breast cancer. For DICN, pre IND meeting is likely, while for India, phase I study has been completed.

BIODEGRADABLE INJECTIONS / IMPLANTS

Plan to file IND for Octreotide depot in FY 12.

Novel device for inhaled drugs

Product to be launched in India. Pre IND meeting completed for the US

SMM technology for ophthalmic formulations

IND filled with USFDA

GFR technology for once a day ophthalmic formulations

One product (Timolol Maleate) based on this technology is launched in India

One combination product (Latanoprost and Timolol) based on this technology is being developed. Phase III efficacy and safety study is ongoing in India

To file IND with USFDA

4. EXPENDITURE ON R&D

	Year ended 31st March, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
a) Capital	**51,592**	107,110
b) Revenue	**649,731**	534,006
c) Total	**701,321**	641,116
d) Total R&D expenditure as % of Total Turnover	**120.2%**	186.9%

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 latest technology and 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 makeing available new and effective products. These products when commercialised will improve quality of life of patients.

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

C. Foreign Exchange Earnings and Outgo

		Year ended 31st March, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
1.	Earnings	**421,474**	315,609
2.	Outgo	**248,195**	196,043

Auditors' Report

1. We have audited the attached Balance Sheet of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give 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 in paragraph 3 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 it appears from our examination of those books;

   (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 31st March, 2011;

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

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

5. On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Rajesh K Hiranandani
Partner
(Membership No. 36920)

Place: **Mumbai,** 7th May, 2011

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

(i) Having regard to the nature of the Company's business/activities/ results, clauses vi, viii, xii, xiii, xiv, xv, xviii, xix and xx of CARO 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 the 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 and having regard to the nature of the Company's business, the Company does not have any inventories as at the balance sheet date since, procurements are issued directly for consumption to the user department and therefore, the question of reporting on whether; physical verification has been carried out at reasonable intervals; procedures of physical verification of inventories were reasonable and adequate; and discrepancies noticed on physical verification were material, does not arise. On the basis of our examination of records of inventories, in our opinion, the Company has maintained proper records of its inventories.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, firms or other parties listed 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 and having regard to the nature of the Company's business, a comparison of prices could not be made, in respect of sale of goods (technology) and services in the absence of similar transactions with other parties and in respect of some of the items purchased being of special nature, in the absence of similar transactions with other parties or suitable alternative sources not being readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of consumables and fixed assets and the sale of goods (technology) and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(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 of such transaction are in excess of ₹ 5 lakhs in respect of any party, having regard to the nature of the Company's business, the transactions are of special nature and comparison of prices could not be made in the absence of similar transactions with other parties or suitable alternative sources are not readily available for obtaining comparable quotations and hence, we are unable to comment whether the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.

(vii) 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.

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

(a) The Company has generally been 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 applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

(c) There were no dues in respect of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of any dispute.

(ix) The accumulated losses of the Company at the end of the financial year are not less than fifty percent of its net worth and the Company has incurred cash losses in the current financial year and in the immediately preceding financial year.

(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have any dues to financial institutions and has not issued any debentures.

(xi) In our opinion 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.

(xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that, funds raised on short-term basis amounting to ₹ 504,918 Thousand have, prima facie, been used for long-term investment in fixed assets.

(xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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

Rajesh K Hiranandani
Partner
(Membership No. 36920)

Place: **Mumbai,** 7th May, 2011

Balance Sheet as at 31st March, 2011

₹ in Thousand

	Schedule	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	207,116		207,116	
Reserves and Surplus	2	—		—	
			207,116		207,116
Loan Funds					
Unsecured Loan	3		63,000		21,300
Deferred Tax Liability (Net)	4		—		—
TOTAL			270,116		228,416
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		754,490		705,312	
Less: Depreciation		125,185		96,440	
Net Block		629,305		608,872	
Capital Work-in-Progress (including Advances on Capital Account)		14,295	643,600	20,276	629,148
Investments	6		24,673		—
Current Assets, Loans and Advances					
Sundry Debtors	7	27,095		5,036	
Cash and Bank Balances	8	52,391		53,531	
Loans and Advances	9	27,223		33,000	
		106,709		91,567	
Less: Current Liabilities and Provisions	10				
Current Liabilities		636,300		536,927	
Provisions		19,447		21,246	
		655,747		558,173	
Net Current Assets			(549,038)		(466,606)
Debit Balance in Profit and Loss account		490,647		405,640	
Less : Balance in General Reserve (as per contra)		339,766	150,881	339,766	65,874
TOTAL			270,116		228,416
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS	17				

Schedules referred to herein form an integral part of the Financial Statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

Mumbai, 7th May, 2011

MEETAL S. SAMPAT
Company Secretary

For and on behalf of the Board

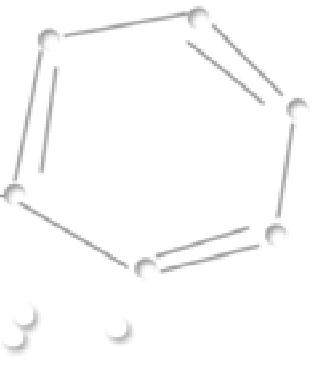
DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 7th May, 2011

Profit and Loss Account for the year ended 31st March, 2011



₹ in Thousand

	Schedule	Year ended 31st March, 2011		Year ended 31st March, 2010	
INCOME					
Income from operations	11	583,478		342,973	
Other Income	12	12,394		3,336	
			595,872		346,309
EXPENDITURE					
Materials consumed	13	76,823		67,627	
Personnel Cost	14	256,637		220,780	
Operating and Other Expenses	15	316,270		245,599	
Depreciation		29,859		25,991	
Interest Expenses	16	1,280		1,750	
			680,869		561,747
LOSS BEFORE TAXATION			(84,997)		(215,438)
Provision for Taxation					
- Current Tax (Wealth Tax)			79		75
- Fringe Benefit Tax for earlier year			(69)		21
LOSS AFTER TAX			(85,007)		(215,534)
DEBIT BALANCE BROUGHT FORWARD			(405,640)		(190,106)
DEBIT BALANCE CARRIED TO BALANCE SHEET			(490,647)		(405,640)
EARNINGS PER SHARE (Refer Note B.12 of Schedule 17)					
Basic and Diluted (₹)			(0.41)		(1.04)
Face value per share ₹ 1					
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS	17				
Schedules referred to herein form an integral part of the Financial Statements					

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

Mumbai, 7th May, 2011

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, 7th May, 2011

Cash Flow Statement for the year ended 31st March, 2011

₹ in Thousand

Particulars	Year ended 31st March, 2011	Year ended 31st March, 2010
Cash Flow From Operating Activities:		
Loss before Tax	**(84,997)**	(215,438)
Adjustments for:		
Depreciation	**29,859**	25,991
Loss on Sale of Fixed Assets	**35**	351
Interest Expenses	**1,280**	1,750
Interest Income	**(3,463)**	(714)
Profit on Sale of Investment	**(225)**	—
Provision for employee benefits	**(1,753)**	10,782
Unrealised Foreign Exchange (Gain) / Loss	**377**	50
Operating Loss Before Working Capital changes	**(58,887)**	(177,228)
Adjustments for changes in Working Capital:		
(Increase) / Decrease in Sundry Debtors	**(22,059)**	(4,149)
(Increase) / Decrease in Other Receivables	**6,463**	(1,552)
Increase in Trade payable and Other Liabilities	**99,934**	308,351
Cash Generated from Operations	**25,451**	125,422
Refund of Income Tax	**3,826**	1,225
Taxes Paid	**(4,228)**	(187)
Net Cash generated from Operating Activities	**25,049**	126,460
Net Cash Flow from Investing Activities:		
Interest received	**3,115**	598
Purchase of Fixed Assets / Capital Work in Progress (including capital advances)	**(47,341)**	(81,834)
Investment in Mutual Fund	**(111,000)**	—
Proceeds from sale of Investment	**86,552**	—
Sale Proceeds of Fixed Asset	**1,265**	289
Fixed / Margin Money Deposit with Scheduled Bank (Net)	**(8,166)**	(40,854)
Net Cash used in Investing Activities	**(75,575)**	(121,801)
Cash Flow From Financing Activities:		
Interest Paid	**(480)**	(1,323)
Proceeds from / (Repayment of) Bank Overdraft Facility (Net)	**—**	(17,186)
Proceeds from Loan	**41,700**	21,300
Net Cash Flow generated from Financing Activities	**41,220**	2,791
Net (Decrease) / Increase in Cash or Cash Equivalents	**(9,306)**	7,450
Cash and Cash equivalents at the beginning of the year	**12,659**	5,209
Cash and Cash equivalents at the close of the year	**3,353**	12,659
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)	**52,391**	53,531
Less : Fixed / Margin Money Deposit > than 3 Months	**49,038**	40,872
Cash and Cash equivalents as restated	**3,353**	12,659
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

RAJESH K. HIRANANDANI
Partner

Mumbai, 7th May, 2011

MEETAL S. SAMPAT
Company Secretary

For and on behalf of the Board

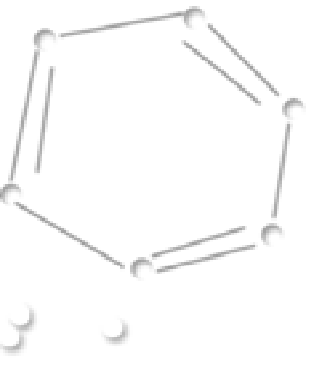
DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 7th May, 2011

Schedules Forming Integral part of the Financial Statements



₹ in Thousand

	As at 31st March, 2011	As at 31st March, 2010
1 SHARE CAPITAL		
Authorised		
266,500,000 (Previous Year 266,500,000) Equity Shares of ₹ 1 each	**266,500**	266,500
Issued, Subscribed and Paid Up		
207,116,391 (Previous Year 207,116,391) Equity Shares of ₹ 1 each, fully paid up	**207,116**	207,116
Notes:		
Of the above :		
(*) 192,260,055 (Previous Year 192,260,055) Equity Shares of ₹ 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 ₹ 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 the above Equity Shares were allotted for consideration other than cash		
	207,116	207,116
2 RESERVES AND SURPLUS		
General Reserve		
Balance as per last Balance Sheet	**339,766**	339,766
Less : Debit Balance in Profit and Loss Account (as per contra)	**339,766**	339,766
	—	—
3 UNSECURED LOAN		
Long Term Borrowings - Other than bank (Refer Note B.10 of Schedule 17)	**63,000**	21,300
	63,000	21,300
4 DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability		
Depreciation on Fixed Assets	**160,547**	150,450
Less :		
Deferred Tax Assets		
Provision for employee benefits	**6,310**	11,679
Unabsorbed business losses / Capital Expenditure (Restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	**154,237**	138,771
(Refer Note No.B.7 of Schedule 17)	**160,547**	150,450
	—	—

5 FIXED ASSETS

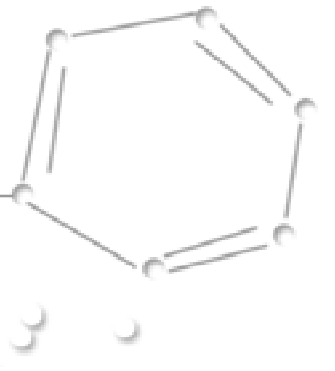
₹ in Thousand

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deletions	**As at 31.03.2011**	As at 01.04.2010	Deletions	For the year	**As at 31.03.2011**	**As at 31.03.2011**	As at 31.03.2010
TANGIBLE ASSETS										
Buildings*	189,644	11,129	—	**200,773**	15,704	—	3,141	**18,845**	**181,928**	173,940
Equipment	495,831	36,856	1,267	**531,420**	76,821	482	24,982	**101,321**	**430,099**	419,010
Vehicles	13,093	2,503	1,147	**14,449**	2,916	632	1,135	**3,419**	**11,030**	10,177
Furniture and Fixtures	6,744	1,104	—	**7,848**	999	—	601	**1,600**	**6,248**	5,745
TOTAL	**705,312**	**51,592**	**2,414**	**754,490**	**96,440**	**1,114**	**29,859**	**125,185**	**629,305**	**608,872**
Previous Year	599,721	107,110	1,519	705,312	71,328	879	25,991	96,440	608,872	—
*Pending registration				Capital Work-in-Progress (including advances on capital account)					**14,295**	20,276
									643,600	629,148

₹ in Thousand

	As at 31st March, 2011	As at 31st March, 2010
6 INVESTMENTS		
Other than Trade Investments		
Current Investments (at lower of cost and fair value)		
Unquoted		
In Mutual Fund (Units of Face Value of ₹ 10 each)		
BNP Paribas Mutual Fund - M43 BNP Paribas Overnight - Institutional Growth Fund 16,40,732 Units (Previous Year Nil) (57,97,788 Units purchased and sold during the year)	**24,673**	—
	24,673	—
7 SUNDRY DEBTORS		
(Unsecured-Considered Good, unless stated otherwise)		
Over Six Months	**799**	—
Other Debts	**26,296**	5,036
	27,095	5,036
8 CASH AND BANK BALANCES		
Cash on hand	**188**	92
Balances with Scheduled Banks		
Current Accounts	**3,165**	12,567
Margin Deposit Accounts	**49,038**	40,872
[Of the above, Deposit of ₹ 15 Thousand (Previous Year ₹ 15 Thousand) is pledged with Government Authorities]		
	52,391	53,531

Schedules Forming Integral part of the Financial Statements



₹ in Thousand

	As at 31st March, 2011		As at 31st March, 2010	
9 LOANS AND ADVANCES				
(Unsecured-Considered Good, unless stated otherwise)				
Advances Recoverable in cash or in kind or for value to be received		**2,763**		3,248
Balance with Excise Authorities		**6,854**		13,367
Loans to Employees		**6,979**		5,433
Advance Income Tax / Tax deducted at source		**4,277**		3,606
[Net of Provisions ₹ 79 Thousand				
(Previous Year ₹ 75 Thousand)]				
Advance Fringe Benefit Tax [Net of Provisions ₹ Nil		**15**		—
(Previous Year ₹ 1,020 Thousand)]				
Advances to Suppliers		**6,335**		7,346
		27,223		33,000
10 CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
Dues to micro and small enterprises	**34**		—	
Dues to others	**100,912**		109,940	
Advances from customer	**522,119**		421,474	
Security Deposits	**1,001**		887	
Temporary Overdrawn bank balance as per books	**2,915**		—	
Other Liabilities	**8,100**		4,201	
Interest accrued but not due on loan	**1,219**	**636,300**	425	536,927
Provisions				
Provision for Fringe Benefit Tax [Net of Advance FBT of ₹ Nil				
(Previous Year ₹ 973 Thousand)]	**—**		47	
Provision for employee benefits	**19,447**	**19,447**	21,199	21,246
		655,747		558,173

₹ in Thousand

	Year ended 31st March, 2011		Year ended 31st March, 2010	
11 INCOME FROM OPERATIONS				
Sale of Technology / Know-how		**484,238**		315,609
License Fees / Royalty on Technology		**99,240**		27,364
		583,478		342,973
12 OTHER INCOME				
Interest on Loan / Deposit		**3,115**		598
[Tax deducted at source ₹ 231 Thousand (Previous Year ₹ Nil)]				
Interest on Income Tax refund		**348**		116
Profit on Sale of Current Investments		**225**		—
Exchange gain (Net)		**8,240**		2,618
Miscellaneous Income		**466**		4
		12,394		3,336
13 MATERIALS CONSUMED				
R&D Material consumed		**76,823**		67,627
		76,823		67,627
14 PERSONNEL COST				
Salaries, Wages and Bonus		**217,481**		184,369
Contribution to Provident and Other Funds		**13,966**		23,424
Staff Welfare Expenses		**25,190**		12,987
		256,637		220,780
15 OPERATING AND OTHER EXPENSES				
Stores, Spares and Consumables		**23,603**		23,953
Power and Fuel		**27,635**		27,929
Rates and Taxes		**578**		8
Rent		**1,200**		500
Insurance		**553**		620
Repairs				
- Building	**1,718**		682	
- Plant and Machinery	**13,275**		12,452	
- Others	**3,186**	**18,179**	2,428	15,562
Printing and Stationery		**3,187**		2,887
Traveling and Conveyance		**11,065**		9,054
Testing Charges		**1,968**		8,144
Communication		**5,325**		2,753
Loss on sale of fixed assets		**35**		351
License and Fees		**12,359**		5,909
Labour Charges		**10,106**		9,006
Maintenance Charges		**1,638**		2,815
Membership Fees and Subscription		**1,745**		2,011
Professional Charges		**188,408**		126,534
Auditors' Remuneration (excluding service tax)- Audit Fees		**700**		700
Miscellaneous Expenses		**7,986**		6,863
		316,270		245,599
16 INTEREST EXPENSES				
Interest - Fixed Loan		**794**		425
Interest - Others		**486**		1,325
		1,280		1,750

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE 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 ₹ 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 Assets'. 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. License Fees / Royalty income is recognised on accrual basis as per relevant agreement. Sales are stated net of returns, VAT/ Sales Tax, if any.

VII Investments

Investments are classifed into Current and Long Term Investments. Current Investments are valued at lower of cost and fair value. Long Term Investments are stated at cost less provision, if any, for other than temporary diminution in their value.

VIII Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate that approximates the actual rate prevailing at the date of the transaction. Monetary items denominated in foreign currency at the year end are translated at year end rate. In respect of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life of the forward contract. The exchange differences arising on settlement / translation are recognised in the Profit and Loss Account.

IX Government Grants

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.

X 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 "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.

XI 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, the 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.

XII 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.

XIII 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 a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the lower of recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised.

B NOTES TO FINANCIAL STATEMENTS

1 CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31st March, 2011 ₹ in Thousand	As at 31st March, 2010 ₹ in Thousand
Guarantees given by the bankers (against Margin Money Deposit) on behalf of the Company	**43,686**	37,866

2 REMUNERATION TO DIRECTORS

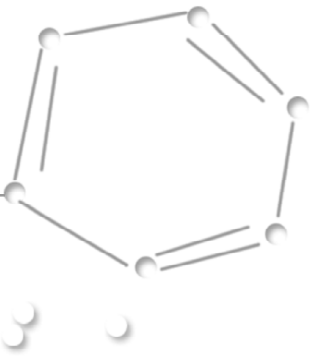
	Year ended 31st March, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
Managerial Remuneration u/s 198 of The Companies Act, 1956		
Salaries and Allowances	**20,440**	18,894
Contribution to Provident and Superannuation Funds	**979**	936
Perquisites and Benefits	**26**	84
	21,445	19,914

The above remuneration is within the overall limits as approved by the shareholders of the Company and by the Central Government.

Director's sitting fees of ₹ 1,460 Thousand (Previous Year ₹ 1,720 Thousand) paid to Non-Executive Directors is not included herein above.

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 previous year, the DSIR had 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 to 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, 2011		Year ended 31st March, 2010	
		₹ in Thousand		₹ in Thousand
Imported and indigenous				
R & D Material Consumed	**%**		%	
Imported	**29.44**	**22,620**	28.77	19,456
Indigenous	**70.56**	**54,203**	71.23	48,171
Total	**100.00**	**76,823**	100.00	67,627

	As at 31st March, 2011	As at 31st March, 2010
	₹ in Thousand	₹ in Thousand
5 Estimated amount of contracts remaining to be executed on capital account [net of advances].	**3,727**	4,525

6 INCOME / EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ in Thousand	₹ in Thousand
Income		
Sales / Income from operations	**421,474**	315,609
Expenditure		
Material (CIF basis)	**22,760**	20,241
Capital Goods (CIF basis)	**27,238**	35,799
Stores, Spares and Consumables (CIF basis)	**4,979**	14,091
Professional charges	**181,868**	121,167
Travel Expenses	**2,791**	2,893
Others	**8,559**	1,852

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 unabsorbed business losses / capital expenditure, 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, which management expects to be avaialble after tax holiday period u/s 80-IB of the Income Tax Act, 1961. As a prudent measure, the excess of deferred tax asset (net) of ₹ 210,848 Thousand (Previous Year ₹ 209,572 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.

8 The net exchange gain of ₹ 10,413 Thousand (Previous Year ₹ 24,690 Thousand) is included under respective heads of Profit and Loss Account.

9 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.

There is no additional disclosure required to be made in this regard except for principal amount remaining unpaid of ₹ 34 Thousand (Previous Year ₹ Nil) as on 31st March, 2011.

10 During the year, the Company has received the 2nd Installment of ₹ 41,700 Thousand against the loan of ₹ 96,600 Thousand sanctioned by the Department of Science and Technology, Government of India under the "Drug and Pharmaceutical Research Program" (DPRP). The loan is repayable (along with interest) in 10 equal annual installments commencing 1st August, 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, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
(b) Secondary Segment (by Geographical Segment)		
Within India	**162,004**	27,364
Outside India	**421,474**	315,609
Total Income from Operations	**583,478**	342,973

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, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
Loss used as Numerator for calculating Earnings per Share	**85,007**	215,534
Weighted Average number of Shares used in computing basic and diluted earnings per share	**207,116,391**	207,116,391
Nominal / Face Value Per Share (in ₹)	**1**	1
Basic and Diluted Earnings Per Share (in ₹)	**(0.41)**	(1.04)

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

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 renewable by mutual consent on mutually agreeable terms.

(b) Lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 15.

17 The company enters into Forward Exchange Contracts being derivative instruments, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date.

A) The following are the outstanding Forward Exchange Contracts entered into by the Company as at 31st March, 2011.

Currency	Buy/Sell	Cross Currency	As at 31st March, 2011 in Thousand	As at 31st March, 2010 in Thousand
US Dollar	Sell	Rupee	**$ 4,000.0**	—

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

Amounts payable in foreign currency on account of the following :	Currency	As at 31st March, 2011 in Thousand		As at 31st March, 2010 in Thousand	
Reimbursement of Expenses	Euro	**€ 21.3**	**₹ 1,342**	€ 75.2	₹ 4,545
Import of Goods & Services	US Dollar	**$ 448.1**	**₹ 19,948**	$ 217.7	₹ 9,752
	CAD	**CAD 2.6**	**₹ 118**	—	—
	Euro	**€ 62.1**	**₹ 3,918**	€ 27.1	₹ 1,639
	Pound	**£ 33.7**	**₹ 2,405**	£ 36.7	₹ 2,496
	JPY	**JPY 2,137.9**	**₹ 1,153**	JPY 38.8	₹ 18
	NZD	**—**	**—**	NZD 0.4	₹ 12

18 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 ₹ 10,475 Thousand (Previous Year ₹ 8,721 Thousand).

	Year ended 31st March, 2011 ₹ in Thousand	Year ended 31st March, 2010 ₹ in Thousand
Contribution to Provident and Family Pension Fund	**10,043**	8,631
Contribution to Employees State Insurance Scheme (E.S.I.C.)	**346**	39
Contribution to Labour Welfare Fund	**3**	3
Contribution to Employee Deposit Linked Insurance (E.D.L.I.)	**83**	48

In respect of Gratuity, Contributions are made to LIC's Recognised Group Gratuity Fund Scheme based on amount demanded by LIC of India. Provision for Gratuity is based on actuarial valuation done by 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 ₹13,984 Thousand (Previous Year ₹ 12,227 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 assumptions are accounted for in the Profit and Loss Account.

In respect of gratuity (Funded):	31st March, 2011 ₹ in Thousand	31st March, 2010 ₹ in Thousand
Reconciliation of liability recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	**31,331**	26,341
Fair value of plan assets	**25,868**	17,369
Net liability in the Balance sheet	**5,463**	8,972
Movement in net liability recognised in the Balance sheet		
Net liability / (assets) as at beginning of the year	**8,972**	(675)
Net expense recognised in the Profit and Loss Account	**3,275**	14,587
Contribution during the year	**(6,784)**	(4,940)
Net liability / (assets) as at the end of the year	**5,463**	8,972
Expense recognised in the Profit and Loss Account		
Current service cost	**2,619**	1,214
Interest cost	**2,299**	905
Expected return on plan assets	**(1,915)**	(1,246)
Actuarial loss	**272**	13,714
Expense charged to the Profit and Loss Account	**3,275**	14,587

	₹ in Thousand	₹ in Thousand
Return on plan assets		
Expected return on plan assets	**1,915**	1,246
Actuarial gain	**236**	146
Actual return on plan assets	**2,151**	1,392
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	**26,341**	10,565
Current service cost	**2,619**	1,214
Interest cost	**2,299**	905
Paid benefits	**(436)**	(203)
Actuarial loss	**508**	13,860
Commitments as at the end of the year	**31,331**	26,341
Reconciliation of plan assets		
Plan assets as at beginning of the year	**17,369**	11,240
Expected return on plan assets	**1,915**	1,246
Contributions during the year	**6,784**	4,940
Paid benefits	**(436)**	(203)
Actuarial gain	**236**	146
Plan assets as at the end of the year	**25,868**	17,369

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

Discount rate	**8.25%**	8.00%
Expected return on plan assets	**8.25%**	8.00%
Expected rate of salary increase	**6.00%**	6.00%
Mortality		LIC (1994-96) Ultimate

	₹ in Thousand			
	Year Ended			
	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008
Experience adjustment				
On plan liabilities	**1,428**	14,484	417	957
On plan assets	**236**	146	126	73
Present value of benefit obligation	**31,331**	26,341	10,565	7,547
Fair value of plan assets	**25,868**	17,369	11,240	10,342
Excess of (obligation over plan assets) / plan assets over obligation	**(5,463)**	(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, takes into account 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 31st March, 2012 is ₹14,244 Thousand as per premium intimation received from LIC of India.

As, this is the fourth 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 three years only has been furnished.

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

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

2. Enterprise under significant Influence of Key Management Personnel (with whom transactions are entered)

Sun Pharmaceutical Industries Ltd.
Sun Pharma Global FZE
Sun Pharmaceutical Industries Inc.
Sun Pharmaceutical Industries
Sun Pharma Sikkim
Sun Petrochemicals Pvt Ltd.

Particulars	31st March, 2011 ₹ in Thousand	31st March, 2010 ₹ in Thousand
Sun Pharmaceutical Industries Ltd		
Reimbursement of Expenses	**24,850**	25,920
Purchase of Goods / DEPB	**12,045**	13,588
Purchase of Fixed Assets	**242**	—
Rent Paid	**1,324**	552
License Fees / Royalty on Technology	**95,163**	12,400
Reimbursement of Expenses incurred	**497**	1,126
Corporate Guarantee given / (released) to bank	**—**	(125,000)
Sale of Fixed Assets	**170**	—
Outstanding Balance Receivable / (Payable) (Net)	**(20,925)**	(47,083)
Sun Pharma Global FZE		
Sale of Technology	**421,474**	315,609
Outstanding Balance Receivable / (Payable) (Net)	**(522,119)**	(421,474)
Sun Pharmaceutical Industries		
Purchase of Goods	**152**	399
License Fees / Royalty on Technology	**19,260**	18,878
Sale of Fixed Assets	**799**	—
Outstanding Balance Receivable / (Payable) (Net)	**1,287**	5,036
Sun Pharmaceutical Industries Inc.		
Reimbursement of Expenses	**3,640**	27
Outstanding Balance Receivable / (Payable) (Net)	**—**	(27)
Sun Petrochemicals Pvt. Ltd.		
Purchase of Fixed Assets	**—**	285
Outstanding Balance Receivable / (Payable) (Net)	**—**	—
Sun Pharma Sikkim		
Purchase of Goods	**30**	—
Outstanding Balance Receivable / (Payable) (Net)	**(5)**	—
Remuneration to Key Managerial Personnel		
Remuneration - Whole time Director	**21,445**	19,914
Outstanding Balance - Remuneration Payable - Whole time Director	**1,596**	3,000

Balance Sheet Abstract and Company's General Business Profile

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

I. Registration Details

Registration No.	Balance Sheet Date	State Code
04/047837	31st March 2011	04

II. Capital Raised during the year (₹ in Thousand)

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

III. Position of Mobilisation and Deployment of Funds (₹ in Thousand)

Total Liabilities	Total Assets
270,116	270,116

SOURCES OF FUNDS

Paid up Capital	Reserves and Surplus
207,116	339,766
Secured Loans	**Unsecured Loans**
NIL	63,000

APPLICATION OF FUNDS

Net Fixed Assets	Investments
643,600	24,673
Net Current (Liabilities) / Assets	**Accumulated Losses**
(549,038)	490,647

IV. Performance of the Company (₹ in Thousand)

Total Income	Total Expenditure
595,872	680,869
Profit / (Loss) before Tax	**Profit / (Loss) after Tax**
(84,997)	(85,007)
Earning per Share (₹)	**Dividend Rate**
(0.41)	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

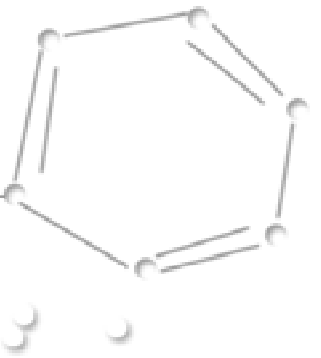
SUDHIR V. VALIA
Director

MEETAL S. SAMPAT
Company Secretary

Dr. T. RAJAMANNAR
Whole time Director

Mumbai, 7th May, 2011

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: Four Board meetings were held during the year.

The dates on which the meetings were held are as follows: 22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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, 2011		*No. of other directorships and committee memberships / chairmanships as of 31st March, 2011		
		Board Meetings	Last AGM held on 24th July, 2010	Other Director-ships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	4	4	Yes	1	1	—
Mr. Sudhir V. Valia	4	3	Yes	5	1	—
Dr. T. Rajamannar	4	4	Yes	—	—	—
Mr. S. Mohanchand Dadha	4	4	Yes	3	2	—
Prof. Dr. Goverdhan Mehta	4	4	Yes	1	1	—
Prof. Dr. Andrea Vasella	4	4	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 signed by the Chairman & Managing Director, 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.

Four Audit Committee Meetings were held during the year ended 31st March, 2011. The dates on which Meetings were held are as follows:

22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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	4
Prof. Dr. Goverdhan Mehta	Member	4
Prof. Dr. Andrea Vasella	Member	4

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.

Four meetings of the Remuneration Committee were held during the year ended on 31st March, 2011. The dates on which Meetings were held are as follows:

22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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	4
Prof. Dr. Goverdhan Mehta	Member	4
Prof. Dr. Andrea Vasella	Member	4

(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 2010-2011 are given below:

(Amount in ₹)

Directors	Salary #	Bonus	Perquisites* / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	—	—	—	—	—
Dr. T. Rajamannar	14,849,970	—	6,595,064	—	21,445,034
Mr. Sudhir V. Valia	—	—	—	180,000	180,000
Mr. S. Mohanchand Dadha	—	—	—	320,000	320,000
Prof. Dr. Goverdhan Mehta	—	—	—	480,000	480,000
Prof. Dr. Andrea Vasella	—	—	—	480,000	480,000

Salary includes Special/Supplementary 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 ₹ 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 re-appointed as the Whole-time Director of the Company for a period of three years effective from 4th June, 2010. As per terms of his employment, his appointment is terminable by giving 3 months notice, by either party. The above remuneration of Dr. T. Rajamannar is within the overall limits as approved by the shareholders of the Company and by the Central Government.

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., Registrar & Share Transfer 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.

Four meetings of the Shareholders'/Investors' Grievance Committee were held during the year ended 31st March, 2011. The dates on which Meetings were held are as follows: 22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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	3
Dr. T. Rajamannar	Member	4
Prof. Dr. Goverdhan Mehta	Member	4
Prof. Dr. Andrea Vasella	Member	4

Investor Complaints:

The total number of complaints received from the shareholders during the year under review, was 1.

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.

Four meetings of the Ethics & Compliance Committee were held during the year ended on 31st March, 2011, on the following dates:

22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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	4
Mr. S. Mohanchand Dadha	Member	4
Prof. Dr. Andrea Vasella	Member	4

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 matters as the Committee or the Board may consider necessary.

Four meetings of the Executive Committee were held during the year ended on 31st March, 2011, on the following dates:

22nd May, 2010, 24th July, 2010, 21st October, 2010 and 1st February, 2011.

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	4
Mr. Sudhir V. Valia	Member	3
Prof. Dr. Goverdhan Mehta	Member	4

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
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.
2009-10	Fifth AGM	Welcom Hotel, R.C.Dutt Road, Vadodara– 390007, Gujarat.	24-07-2010	3.30 P.M	No Special Resolution passed at the AGM

(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** : Monday, 8th August, 2011 at 10.45 a.m.
- **Venue** : Prof. Chandravadan Mehta Auditorium, General Education Centre, Maharaja Sayajirao University of Baroda, Pratapgunj, Vadodara - 390 002, Gujarat

13.2 Financial Calendar (tentative) : Results for quarter ending 30th June, 2011 – Second week of August, 2011.
: Results for quarter ending 30th September, 2011 – Last week of October, 2011.
: Results for quarter ending 31st December, 2011 – Last week of January, 2012.
: Audited Results for year ended 31st March, 2012 – 3rd or 4th week of May, 2012.

13.3 Details of Book Closure For Equity Shareholders : Monday, 1st August, 2011 to Monday 8th August, 2011 (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 2011-12 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 ₹ 1/- each **ISIN No. INE232I01014**

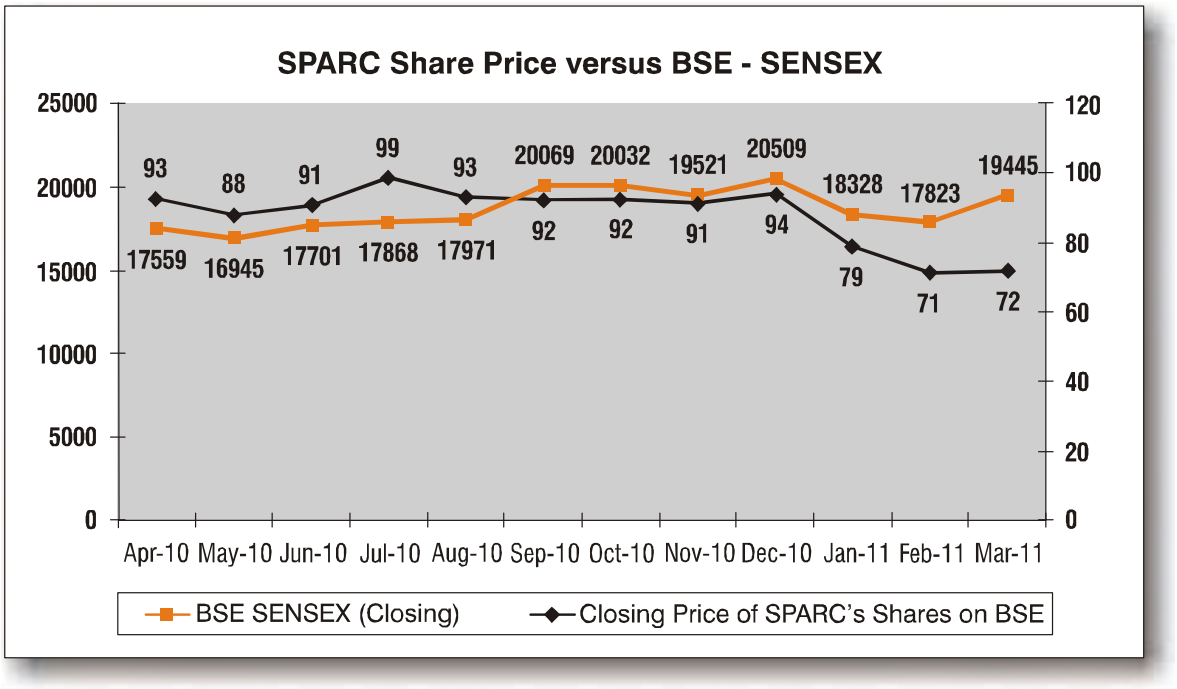
13.7 Stock Market Data

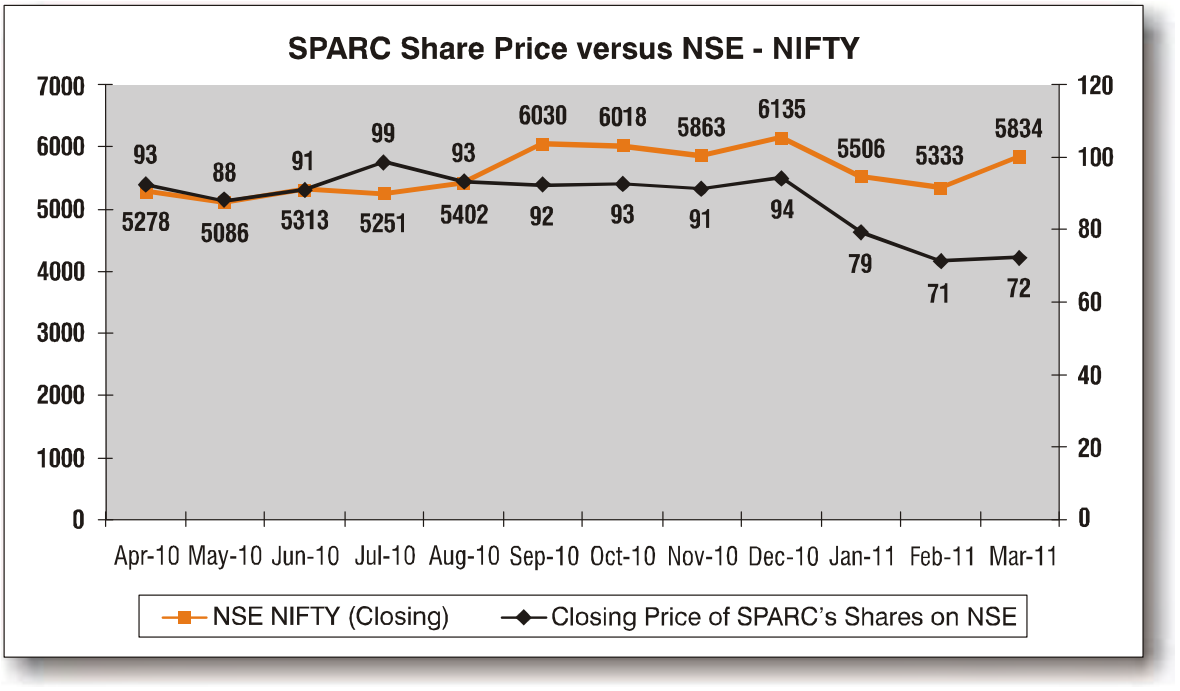
The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange of India Ltd., (NSE).

Equity Shares of ₹1/- each :

	Bombay Stock Exchange Ltd. (BSE) (in ₹)		National Stock Exchange of India Ltd., (in ₹) (NSE)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2010	101.65	90.50	102.00	90.25
May 2010	105.45	83.60	105.45	83.80
June 2010	94.45	84.50	94.50	83.25
July 2010	102.00	89.10	101.50	89.20
August 2010	102.00	92.20	102.15	92.10
September 2010	97.80	91.00	97.90	91.15
October 2010	99.25	91.25	99.40	91.00
November 2010	111.40	85.50	111.30	85.10
December 2010	98.65	84.50	98.750	84.50
January 2011	96.85	78.00	96.85	78.00
February 2011	81.00	65.10	83.60	64.40
March 2011	76.25	66.50	76.85	66.30

(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, 2011.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**BSE SENSEX**	**SPARC RELATIVE TO SENSEX**
Year-on-Year	-38.40%	9.86%	-48.26%
2 Years	37.01%	100.29%	-63.28%
3 Years	-14.39%	24.29%	-38.68%

Share price performance relative to Nifty based on share price on 31st March, 2011.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**NIFTY**	**SPARC RELATIVE TO NIFTY**
Year-on-Year	-38.24%	10.02%	-48.26%
2 Years	36.46%	93.11%	-56.65%
3 Years	-13.97%	18.84%	-32.81%

(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, Fax : 022- 25946969

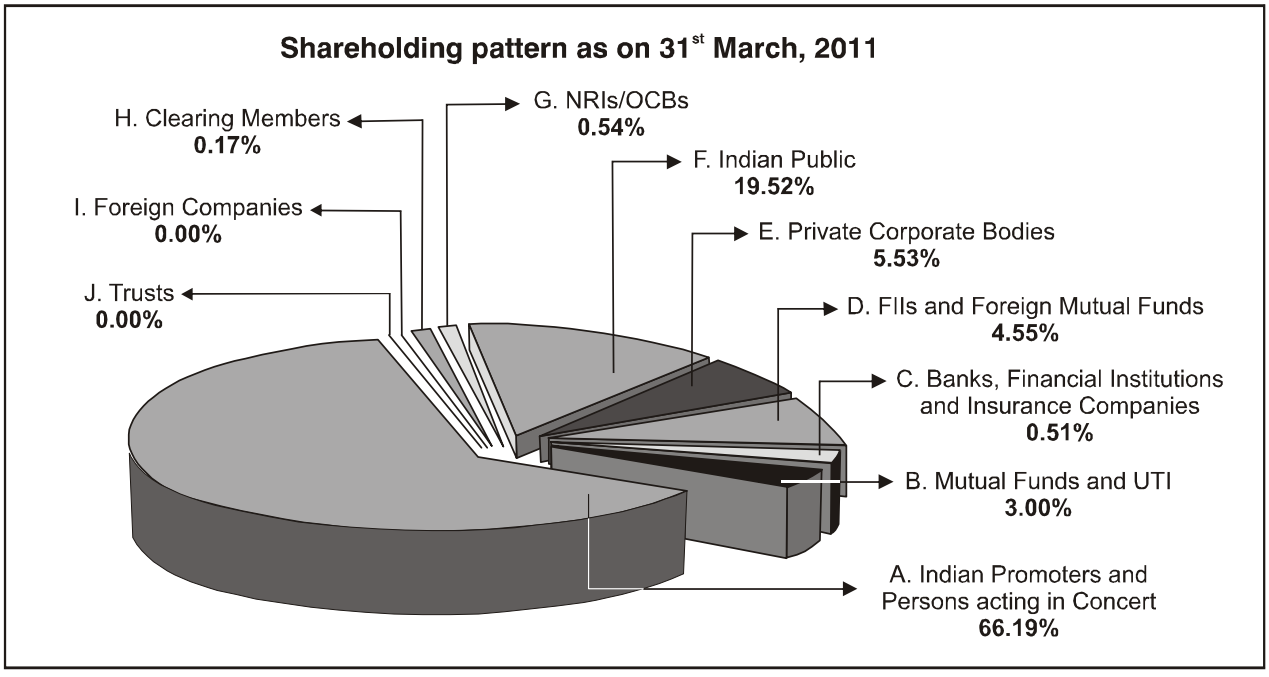
13.10 Share Transfer System

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 31st March, 2011

No. of Equity Shares held	No. of Accounts		Shares of face value ₹1/- each	
	Numbers	% to total accounts	Numbers	% to total shares
Upto 5000	63940	98.63	20739780	10.01
5001 - 10000	439	0.68	3328286	1.61
10001 - 20000	189	0.29	2685800	1.30
20001 - 30000	76	0.12	1922971	0.93
30001 - 40000	29	0.04	996896	0.48
40001 - 50000	25	0.04	1134409	0.55
50001 - 100000	42	0.06	2989319	1.44
100001 and above	90	0.14	173318930	83.68
Total	**64830**	**100.00**	**207116391**	**100.00**

13.12 Shareholding Pattern as on 31st March, 2011 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%	137084275
B. Mutual Funds and UTI	3.00%	6204738
C. Banks Financial Institutions and Insurance Companies	0.51%	1054892
D. FIIs and Foreign Mutual Funds	4.55%	9420783
E. Private Corporate Bodies	5.53%	11455024
F. Indian Public	19.52%	40423760
G. NRIs / OCBs	0.54%	1109169
H. Clearing Members	0.17%	357259
I. Foreign Companies	0.00%	1998
J. Trusts	0.00%	4493
Total	**100.00%**	**207116391**

13.13 Dematerialisation of Shares

About 99.19% of the Equity shares of the Company have been de-materialised up to 31st March, 2011.

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 2010-2011 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	300.45	435.01	735.46
In value terms (₹. Millions)	28.67	41.64	70.31

(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, 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, 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 : 7th May, 2011

Annexure To Corporate Governance For The Year Ended 31st March, 2011

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: 7th May, 2011

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 the conditions of Corporate Governance by Sun Pharma Advanced Research Company Limited ("the Company"), for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing agreements of the said Company with relevant stock exchanges (Hereinafter referred to as Clause 49).

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the company for ensuring compliance of the conditions of 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 and the representations made by the Directors and the Management, we certify that the Company has complied, in all material respects, with the conditions of Corporate Governance as stipulated in Clause 49.

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)

Rajesh K Hiranandani
Partner
(Membership No. 036920)

Place: Mumbai
Date : 7th May, 2011

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