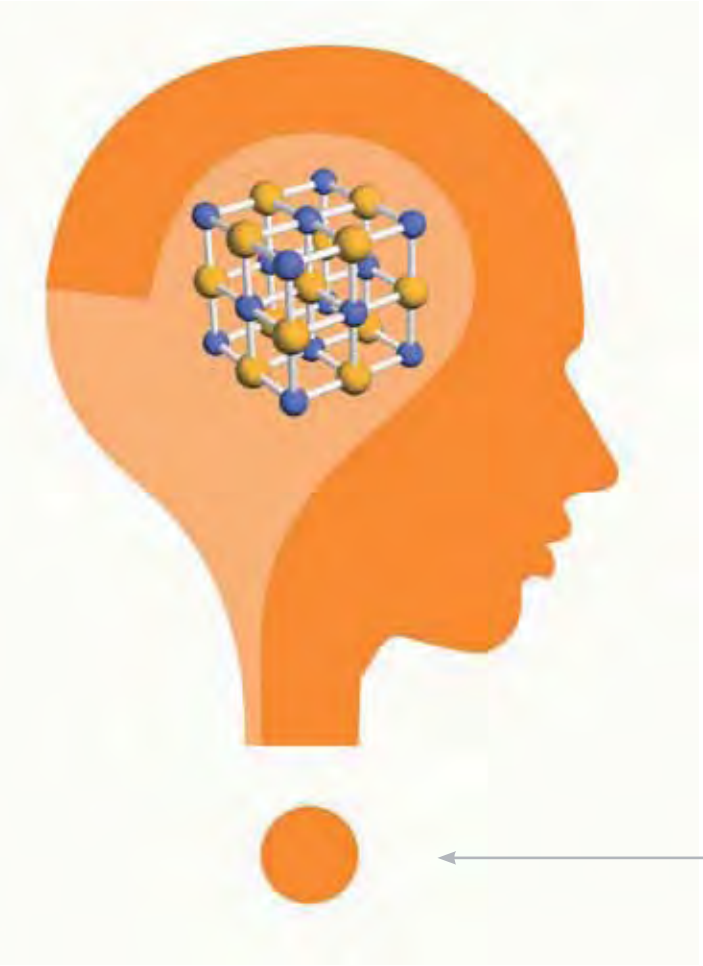
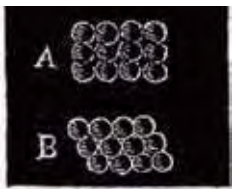
SUN PHARMA
ADVANCED RESEARCH
COMPANY LTD.

Annual Report 2011 - 12



Inquiry. Insight. Innovation



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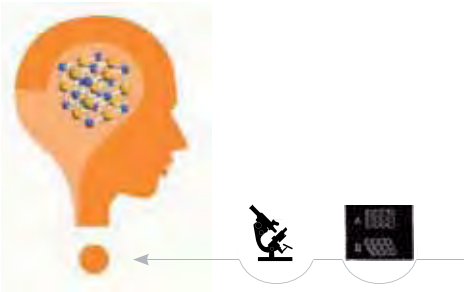

The cover depicts an artist's minimalist interpretation of the creative process that leads to innovation. The line drawing is excerpted from Johannes Kepler's pathbreaking 19th century essay, "A New Year's Gift of Hexagonal Snow" where he first postulated the structure of crystals.

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CORPORATE INFORMATION

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Mr. Sudhir V. Valia, Director

Prof. Dr. Andrea Vasella, Director

Prof. Dr. Goverdhan Mehta, Director

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COMPANY SECRETARY

Ms. Meetal Sampat

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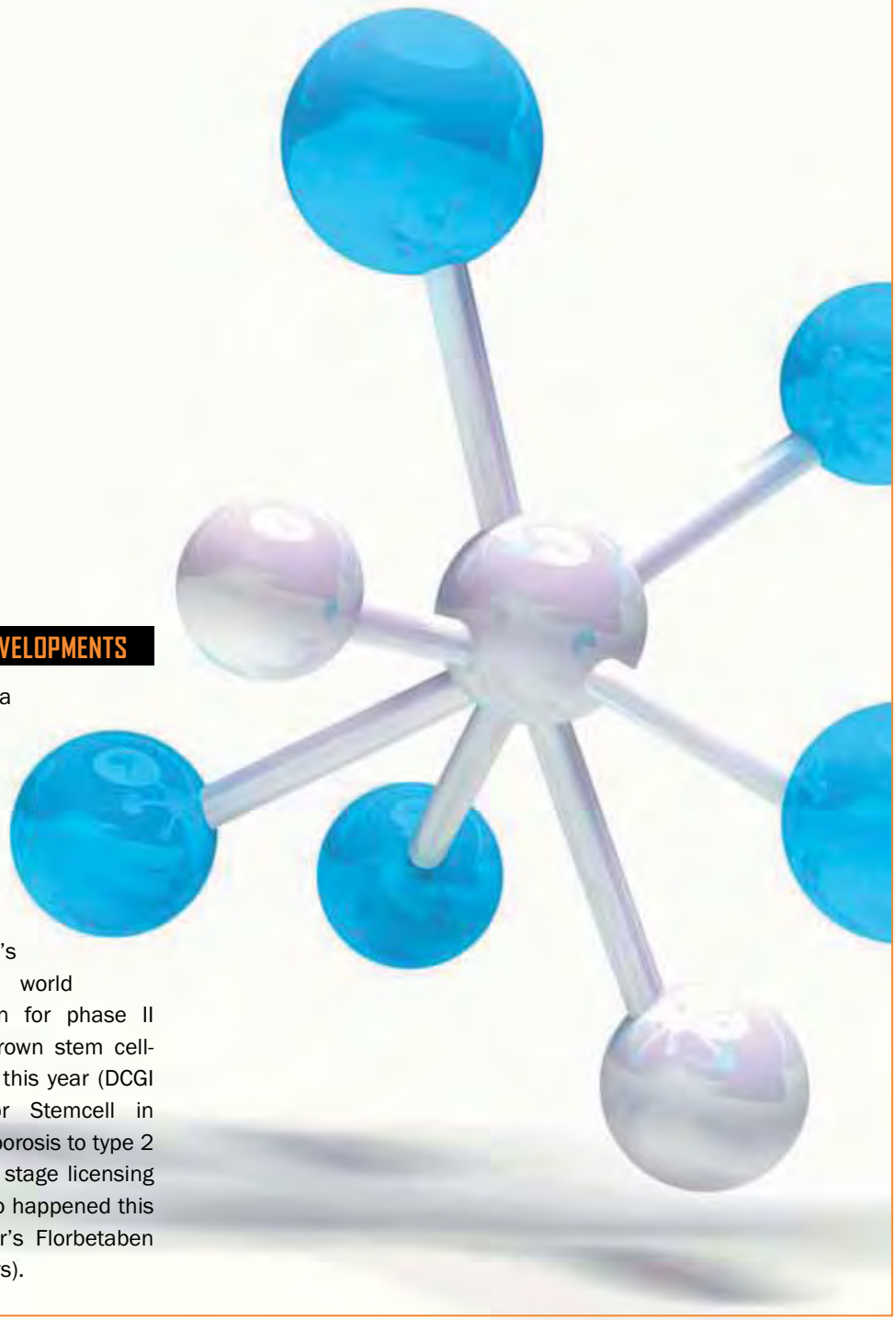
SPARC

MANAGEMENT DISCUSSION AND ANALYSIS



INDUSTRY STRUCTURE AND DEVELOPMENTS

Innovative Pharma R&D in India continues to build the skill base, infrastructure and framework of regulation to move to the next stage of research evolution. This year saw the entry of India's first indigenously developed molecule, (Ranbaxy's antimalarial, Arterolane), in world markets. The first permission for phase II research in India, for home-grown stem cell-based therapeutics was given this year (DCGI approval to Stempeutics for Stemcell in several indications from osteoporosis to type 2 diabetes). The first of the late stage licensing in deals for Indian pharma also happened this year (Piramal's deal for Bayer's Florbetaben used in diagnosis for Alzheimers).

These research initiatives from Indian companies address world markets and are important validations of the caliber of R&D work being done in the country. That too, in an environment that saw international companies react to cost pressure by pruning research budgets, cutting R&D pipelines and having to justify pricing on comparative effectiveness and efficacy.

When the Indian pharma sector began serious investments in drug discovery in the country in the early 1990's, it began with certain advantages on account of the strong generic industry - such as strong chemistry and formulation skills and high quality institutes across the country. One drawback that often has been stated was the lack of clinical research skills. But now these have begun to reach a critical mass with expertise coming from international CROs and clinical research divisions established by Indian companies.

The necessary national clinical research framework has also evolved over the years. The National Biotech Regulatory Authority Bill that is awaiting consideration by the Parliament, is expected to regulate the safe deployment and development of biotech products. The health ministry, in a separate move, has also issued the final draft of the health research policy. In a move that would assist companies that follow internationally accepted clinical trial practices, the government made the registration of ethics committees mandatory. Also, a Clinical Trials Registry has been created and the registration of all clinical trials including bioavailability/ bioequivalence studies have been made mandatory in India. The regulatory framework that research requires is gradually being put into place, though several industry experts have pointed to a need to balance caution with speed.

Starting out with reverse engineering skills, the sector has now built capabilities across a wide spectrum of R&D - genomics, custom synthesis, physical and chemical analysis, in vitro 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.

An impending shortage of skills, especially in biological sciences, has been highlighted in the past. Both government and private initiatives are attempting to address this shortfall in biological sciences such as molecular biology, pharmacology, toxicology, clinical pharmacology. Private-public partnership is one of the ways that is being increasingly adopted for addressing this skill shortage. For instance, the National Center for Biological Sciences has instituted an innovation one-stop shop called C Camp that seeks to bridge the gap between lab and market, by fostering innovation and turning technology into products.

One of the key reasons that has often been quoted for the industry's slower than expected growth is lack of funding. But this might be changing. While compared to the developed world, there possibly isn't

Starting out with reverse engineering skills, the sector has now built capabilities across a wide spectrum of R&D.

Research and Development Centre, Baroda

The cost of bringing a new molecule to market globally is estimated by experts at around $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.

enough risk capital, but there have been instances of venture capitalists beginning to invest in the seed funding stage as well. Another as yet nascent source of funding is the government. The Department of Pharmaceuticals is setting up a ₹ 10,000 cr venture fund to incentivize drug discovery and innovation in the country.

Indian pharma companies earn revenues out of branded generics in India and rest of world markets, but invest in high risk R&D. The cost of bringing a new molecule to market globally is estimated by experts at around $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.

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

Over the last few years, new developmental pipelines from in-house R&D have begun to dry up for large multinationals. One reason for this is stringent expectations at the USFDA. Another reason is that new leads address complex therapies and may be more prone to failure.

Pharma R&D in developed countries is becoming increasingly costly, requiring a relook at basic competencies, research areas and returns, sometimes requiring a look at smaller, below-the-radar opportunities. A number of new drugs approved for marketing reflects this renewed focus. Of the 35 drugs that the USFDA cleared last year, several represented therapeutic advances such as the first drug for Hodgkin's lymphoma in the last thirty years and the first lupus drug in fifty years. While larger companies have been reducing unproductive R&D investments to better conserve resources and focus on specific therapies, the trend of new molecules being licensed in and/or acquired from smaller or boutique pharma companies, or even university departments, continues.

Another interesting trend worth considering is the effort of the National Institutes of Health in the US to work systematically with industry to repurpose and re-examine old and new drugs and discarded leads for new uses. This effort, "repositioning" has found several successes, such as the development of thalidomide for leprosy and multiple myeloma. This initiative is considering drugs across a wide list: off patent generics, branded blockbusters, experimental candidates and abandoned products. A database of molecules has been created, with over 8000 alternatives.

The USFDA is also looking at ways to fast track research. Experimental drugs that show a big effect early in development for treating serious or life-threatening diseases could possibly get a faster and cheaper path to U.S. approval, under a proposal currently with the Congress. U.S. drug regulators would be able to label such treatments "breakthrough" therapies and work with companies to speed up clinical trials, for example by testing the drugs for a shorter time or enrolling fewer patients.

An emerging trend 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 timeframes 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, a critical mass in research may be reached only after the first few successes of Indian research 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, as well as BRICS and China 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. Several non-pharma companies have entered this space - Samsung, Fujifilm, Sony to name a few. This new competition can change competitive intensity fundamentally.

There are reports of non-pharma companies developing drug technologies as a corollary - IBM's nanotechnology skills and expertise which has helped them develop a nanotech based drug to fight antibiotic resistance, for instance.

As global multinationals set up R&D centers in India, which over the longer term 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.

There is a serious need for upgrading the quality of support services, such as the quality of preliminary and continuing training, quality and timeliness of support services from local or supplementary vendors. There is a concern, too, as to 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 speedy execution.

Biotech is being viewed as the next IT-like sector. Several non pharma companies have entered this space - Samsung, Fujifilm, Sony to name a few. This new competition can change competitive intensity fundamentally.

Analytical lab: GC with headspace

PERFORMANCE HIGHLIGHTS

1 NDDS PROJECTS

Considerable progress was made on some of the NDDS projects that the SPARC team is working on. Products based on seven NDDS platform technologies are being developed, including oral, injectable and topical dosage forms. Products using each of these platforms have reached the Indian market other than the nano particulate injection platform.

a. ORAL

1. **Gastro Retentive Innovative Device (GRID™)**
2. **Controlled Release Technology - Wrap matrix™**

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. GASTRO RETENTIVE INNOVATIVE DEVICE (GRID™)

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

Longer retention in the stomach improves absorption of drugs that are absorbed from the stomach.

This oral dosage form can be designed to offer a combination of instant and sustained drug release profiles and can be tailored to meet specific disease profiles.

Since the medication is released over 8 hours, the tablet can be designed as once-a-day and offer better patient compliance.

Baclofen GRS, a once-a-day capsule to treat muscle spasticity, had been launched in India and has been welcomed by the medical fraternity.

BACLOFEN GRS

Spasticity is a neurological condition in which certain muscles are continuously contracted. Estimates place the incidence at over 12 million worldwide. Spasticity may also be associated with common neurological disorders like multiple sclerosis, stroke, cerebral palsy and spinal cord injury or a trauma-related injury.

Baclofen and Tizanidine are the drugs of choice for treating spasticity. Baclofen is the largest prescribed drug for this indication, worldwide.

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

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

Baclofen GRS has been filed using the 505 (b) (2) route and will enter Phase III clinical trials for spasticity This trial is being initiated after a special protocol assessment (SPA) and agreement by the USFDA. The purpose of the Baclofen GRS Phase III Clinical study is to assess whether Baclofen ER capsules demonstrate efficacy and safety in the treatment of spasticity.

2. CONTROLLED RELEASE TECHNOLOGY - 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 drug faster.

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.

Plume geometry measurement of nasal spray

Baclofen GRS, a once-a-day capsule to treat muscle spasticity, had been launched in India, and has been welcomed by the medical fraternity.

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. This will be filed as a 505 (b) (2) in the US.

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 clinical studies. Phase I study has been completed in India.

A controlled release formulation has been developed for a cardiovascular agent with high dose and high solubility. Combinations with various drugs that have complementary mechanisms of action are under development.

For an anticancer combination, Phase I studies are planned. For one CNS agent in a new indication, proof of concept is planned. For another CNS agent with very high solubility, pharmacokinetic studies are ongoing.

Several controlled release products based on this technology have been launched in India, and have earned decent prescriber support. 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 an easier-to-swallow tablet using this technology. Since the release profile with this technology is not simple to copy, the risk of generics is limited.

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 clinical studies.

b. INJECTABLES

1. SELF DISPERSING NANOPARTICLE TECHNOLOGY-NANOTECTON

Water insoluble anticancer drugs have two issues with their use - first, toxic surfactants often have to be used to solubilize the drug; and secondly, such drugs not only reach the tumor tissues but also reach and penetrate healthy tissues in the body.

The anticancer drugs that we've created using SPARC's novel self dispersing nanoparticle technology platform addresses these challenges. The products that we have developed using this technology, deliver higher drug localization to the cancer cells, use lesser excipients and deliver a higher dose.

Using self dispersing nanoparticle technology, SPARC has developed Paclitaxel Injection Concentrate for Nanodispersion (PICN) and Docetaxel Injection Concentrate for Nanodispersion (DICN).

Usually, when anticancer drugs 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 NANODISPERSION (PICN)

Taxanes are the most successful drug class for solid tumors, and molecules like Paclitaxel and Docetaxel are blockbusters owing to significantly higher response rates and survival advantages in a wide range of solid tumors.

Paclitaxel 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 - a high incidence and severity of toxicities, such as hypersensitivity, neutropenia and peripheral neuropathies.

Some of the excipients used to dissolve the anticancer can also cause hypersensitivity.

Abraxane®, the world's first reformulated Paclitaxel, tries to address this issue of toxicity.

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, one drawback is that 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 that uses proprietary nanoparticle platform technology, Nanotecton. In this formulation, the drug achieved 30% higher concentration in tumour tissues compared to reported numbers for conventional Paclitaxel in animal studies.

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

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

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

There was no hypersensitivity reaction in patients treated with PICN despite the lack of pre-medication.

For India - Phase II/III study in metastatic breast cancer has completed enrolment of targeted 180 patients.

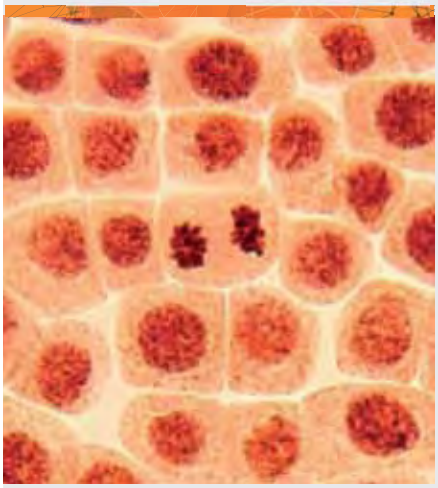
Indication of equivalent efficacy and safety compared to Abraxane® was observed in this ongoing Phase II/III clinical study.

The PICN - Phase III clinical study will be conducted to evaluate the safety and efficacy of PICN at a selected dose and compare it with standard approved treatment in patients with metastatic breast cancer.

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

Formulation development lab: Lyophilizer

Using similar technology as that used for PICN, SPARC has developed a self dispersing nanoparticle Docetaxel. This novel formulation avoids the use of toxic solvents that are used in the conventional Docetaxel.



Filing for Indian approval is planned in Q3 2013.

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

Studies of PICN in combination therapy with a platinum compound with a higher dose, as well as a weekly dosing study that uses a lower dose, have now begun.

DOCETAXEL INJECTION CONCENTRATE FOR NANODISPERSION

Using similar technology as that used for PICN, SPARC has developed a self dispersing nanoparticle Docetaxel. This novel formulation avoids the use of toxic solvents that are used in the conventional Docetaxel.

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 reported data for the innovator brand.

In Phase I clinical trials in patients with solid tumors is completed in India, 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. A poster on the outcome of Phase I study was presented at the American Society of Clinical Oncology in June 2012 in Chicago.

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.

A Phase Ib study in NSCLC patients is planned for FY 2013. For the US, this product will be filed as a 505 (b) (2).

2. BIODEGRADABLE IMPLANTS/ INJECTIONS

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.

The treatment of serious conditions such as prostate cancer, acromegaly, etc. requires long term maintenance of drug levels in the body, often over several months or years. Drugs used for these indications are not suitable for oral use and have very short half life when given by parenteral route thus requiring 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. Our Company has developed Octreotide Depot Inj (1 month) and Octreotide Depot Inj (3 months) which 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.

Since this is a simple injection by IM/SC routes; it requires no specialized training for administration and the injection volume is also low, which has better patient acceptance.

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 under development.

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 in the market which use class 2 solvents in large quantities. Also, the manufacturing process is industry-scale.

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. IND filing of this product is planned in US Q3 2013.

A similar product designed to release the drug over a three-month period is currently under development.

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

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. IND filing of this product is planned in US Q3 2013

NMR Lab

C. TOPICAL

1. DRY POWDER INHALER

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.

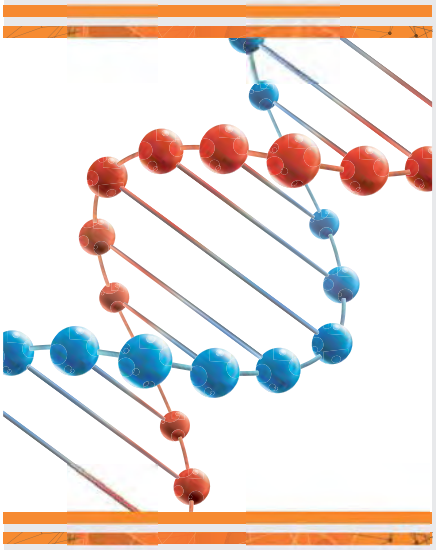
Inhaled short and long-acting beta agonists and corticosteroids are fundamental to the treatment of asthma. Dry Powder Inhalers (DPIs) containing long-acting beta agonists and inhaled corticosteroids constitute the largest drug class with sales of $ 10.4 billion and market share of 54%.

SPARC's Salmeterol and Fluticasone DPI (Starhaler™) device offers a pre-metered 60 dose device that is 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.

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® Accuhaler 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 visually impaired, as



SMM technology is a platform technology for solubilizing ophthalmic drugs with limited or no water solubility.

reminder to refill device, when eight doses remain.

A Phase III study in India had been successfully completed. In this head-on trial versus the innovator device, Seretide® Accuhaler, SPARC's DPI demonstrated statistically and clinically significant improvement from the base line on all efficacy parameters studied. There was also a reduction in use of rescue medication, by day and night time asthma symptoms. The efficacy and safety was comparable to the innovator device. SPARC's DPI has been launched in the domestic market in 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 FY 2013.

2. SWOLLEN MICELLE MICROEMULSION (SMM) TECHNOLOGY

SMM technology is a platform technology for solubilizing ophthalmic drugs with limited or no water solubility. This technology does not require the use of quaternary ammonium preservative/ surfactants like Benzalkonium Chloride (BAK) which may be damaging to the eyes.

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.

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

Prostaglandin analogues such as Latanoprost are the first line treatment for glaucoma and form the largest drug class. The currently marketed Latanoprost product contains the preservative, Benzalkonium Chloride ("BAK"). BAK not only acts as a preservative, but it also solubilizes the drug in its micelle structure and is used in almost double quantity than normally required. Chronic exposure to BAK containing ophthalmic formulation results in serious ocular toxicities viz., loss of tear film stability and damage to corneal and conjunctival surface.

SPARC has developed BAK-free Latanoprost eye drops using SMM Technology. This is a patented formulation of Latanoprost with the same strength and dosing as the market leader Xalatan®. Removal of BAK reduces tearing, burning, itching and hence reduces drainage from the surface of the eye.

Our brand of Latanoprost, Latoprost RT has gained good prescriber support in the Indian market.

Prior to the launch, SPARC had completed a 4-week, randomised, 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 breakup time and overall ocular surface disease index scores after switching patients from a BAK - containing Latanoprost to the BAK-free Latanoprost.

Previously, an IND had been approved at the USFDA. The USFDA had required a Phase III study for product registration, enrolment for which has been completed.

The LSLV (last subject last visit) has been completed in April this year. The NDA filing is planned in Q4 FY 2013.

GEL FREE RESERVOIR (GFR) TECHNOLOGY

Chronic eye ailments like glaucoma typically require 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 Gel Free Reservoir (GFR) technology.

Gel Free Reservoir technology platform consists of a unique polymer ratio that shows synergistic increase in viscosity without the loss of clarity and flow property. Timolol Maleate once-a-day ophthalmic solution developed by our Company has been launched in India to very good acceptance. Prior to the launch, SPARC had completed a 6-week, randomized, multicenter Phase III study with 100 subjects to compare the safety and efficacy of SPARC's Timolol once daily with Timoptic twice daily. Clinically and statistically significant reductions in IOP were observed with SPARC's Timolol. Efficacy and safety was comparable to Timoptic. The physical properties of our product are similar to natural tears. The product has the characteristics of an ideal eye drop - clear colorless solution, bioadhesive yet non sticky.

An NCE is also being developed using this technology.

LATANOPROST AND TIMOLOL COMBINATION ONCE-A-DAY OPHTHALMIC

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 first, being washed out.

This product is being developed combining essential features of both SMM Technology and GFR Technology Latanoprost and Timolol are existing drugs used for the treatment of glaucoma. Typically, these drugs need to be instilled lifelong.

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. 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 in India. The interim data is encouraging. The study will be completed in Q2 FY 2013.

Subsequently, SPARC will also be initiating Phase III, active controlled, non-inferiority clinical study. Pre-IND meeting with USFDA is planned in Q3 FY 2013 to understand the requirements for further clinical development in the US.

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

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 has been working on. We believe that these projects, which are more focused on chemistry, offer a better handle on risk, resources and timelines for new molecule research, where uncertainty in development timelines and clinical outcomes is inherent.

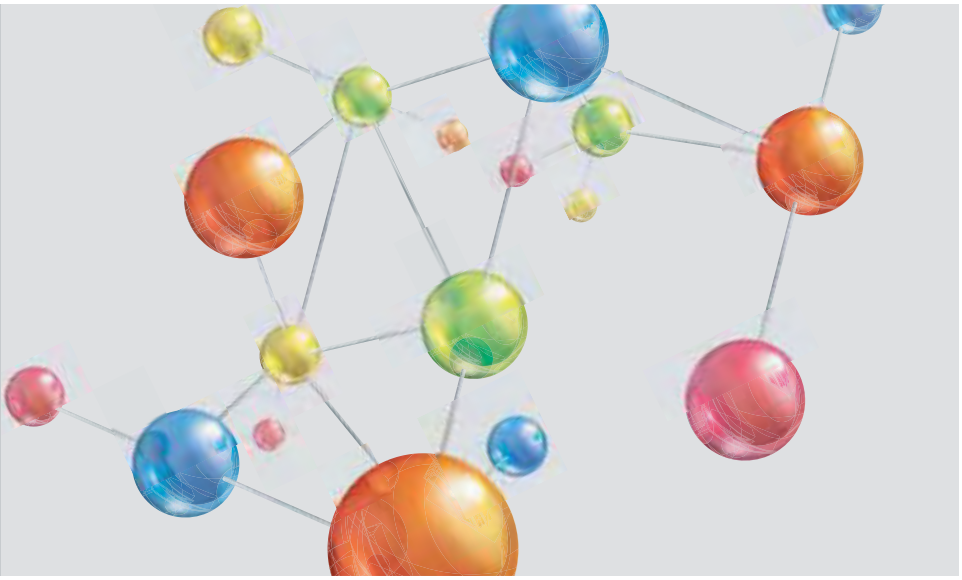
SUN 1334H

SUN 0597

SUN 09

SUN 44

SUN K706



I) SUN 1334H

This antiallergic antihistamine, the first of SPARC Ltd's molecules is being developed for oral and topical (eyedrop 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 (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 favorable.

Phase III studies of the oral Sun 1334H will commence once the data from the TQT studies is completely analyzed and found acceptable. Renal safety study in human volunteers is planned.

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 to assess efficacy of Sun 1334H in allergic conjunctivitis in conjunctival allergen challenge (CAC) model has been completed in the USA. Sun 1334H was shown to be safe and well tolerated. At the highest dose, 0.45% Sun 1334H showed clinically effective prevention of ocular itching with onset of action at fifteen minutes.

Although not clinically significant, 0.15% and 0.45% Sun 1334H showed statistically significant effect for 8 hours. Chronic toxicity studies are ongoing for the ophthalmic formulation. However, considering the results from the Phase II proof of concept (POC) study, we are evaluating further clinical development of Sun 1334H ophthalmic solution.

II) SUN 0597

Sun 0597 is a topical glucocorticoid that we are currently developing for administration as a nasal spray for allergic rhinitis and as an inhalation product. We are also contemplating development of this molecule later for other topical applications viz. ophthalmic and dermal.
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 undesirable side effects such as hypothalamus-pituitary-adrenal axis suppression, osteoporosis, lowered immunity, growth suppression, behavioural changes and lipid metabolism changes. Sun 0597 appears to be a novel, safer glucocorticoid with a promising therapeutic index.

In preclinical studies, Sun 0597 administered through the nasal route had shown good efficacy 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 is expected to show a low likelihood of systemic side effects.

Sun 0597 had also demonstrated in preclinical screens a higher therapeutic index compared to the currently marketed corticosteroids, which means that it is likely to be safer for long term use.

Phase I studies (dose escalation, both single dose and repeat dose) in healthy human subjects for assessing the safety of Sun 0597 nasal formulation have been completed in India and molecule was found to be safe and well tolerated. In Phase I single dose escalating study, there were no safety issues up to a dose of 3200 mcg. In Phase I multiple dose escalating study, S0597 was found to be safe and well tolerated when given up to doses of 3200 mcg/day for 14 days.

IND application for Phase II study in patients with allergic rhinitis has been filed in Germany in April and the study is planned to start in Q2 this year.

For the inhalation product, preclinical toxicity studies are in progress. IND filing to the Drug Controller General of India is expected by Q4 FY 2013.

For the dermal product, preclinical studies are ongoing. Formulation development is likely to be completed by Q4 FY 2013. IND filing is expected by Q4 FY 2013.

For the ophthalmic formulation of Sun 0597, preclinical studies for the selection of appropriate strength and formulation are ongoing. Formulation development is expected to be completed by Q2 FY 2013. IND filing is likely by Q4 FY 2013.

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 is being developed as “an efficient Baclofen”. Unlike Baclofen, this NCE would avoid a 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 no dose limiting toxicity was observed. Phase I studies of the slow release formulation of Sun 09 have been completed in Q1 FY 2013.

IV) SUN 44

Sun 44, a prodrug of Gabapentin, is being developed as a Gabapentin with improved pharmacokinetic profile. 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 and mood disorders.

Gabapentin has a non-linear dose dependent 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

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.

the gastrointestinal tract tissues, may vary from patient to patient. Besides, the molecule is also excreted relatively rapidly, hence there is a great deal of variation in patients responding to the drug.

Sun 44 has been designed to address this bioavailability issue. Once absorbed, Sun 44 is converted to Gabapentin. In animal studies, Sun 44 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 FY 2013.

V) SUN K706

Sun K706 is a novel tyrosine kinase inhibitor, intended for the treatment of chronic myelogenous leukemia (CML). While the currently available oral drugs like Imatinib (Gleevec®), Nilotinib (Tasigna®) and Dasatinib (Sprycel®) 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), myelosuppression, 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, the T315I mutant of the Abl kinase besides other major mutant forms. Further, preclinical studies to demonstrate its safety and efficacy are underway. Toxicity studies that are required for filing IND application are expected to be completed by Q4 FY 2013. IND filing is expected to be done in Q1 FY 2014 .

SUN PHARMA ADVANCED RESEARCH COMPANY LTD.

SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

Registered Office: Sun Pharma Advanced Research Centre, Akota Road, Akota, Vadodara – 390 020, Gujarat, India.

ANNUAL REPORT- 2011-12

PART OF MANAGEMENT DISCUSSION & ANALYSIS

Outlook

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

Risks and Concerns

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

Internal control systems and their adequacy

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

SPARC

DIRECTORS' REPORT

Microbiology Lab

Your Directors take pleasure in presenting the Seventh Annual Report and Audited Accounts for the year ended 31st March, 2012.

(₹ IN THOUSAND)

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Total Revenue	3,01,222	5,95,872
Loss before Depreciation and Tax	6,90,698	55,217
Depreciation	31,623	29,859
Loss before Tax	7,22,321	85,076
Prior Year Fringe Benefit Tax Provision written back	-	(69)
Loss after Tax	7,22,321	85,007
Balance brought forward from Previous Year	4,90,647	4,05,640
Balance carried to Next Year	12,12,968	4,90,647

DIVIDEND

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

RIGHTS ISSUE

The Members of the Company at the Sixth Annual General Meeting had passed the special resolution to offer, issue and allot equity shares not exceeding ₹ 200 crores by way of the Rights Issue or by way of a qualified institutions placement or offer or otherwise. The Fund Mobilising Committee of the Company had approved offering equity shares of the Company on Rights basis for amount not exceeding ₹ 200 crores. The Company had filed the Draft Letter of Offer with Securities and Exchange Board of India (SEBI) on January 31, 2012, and with the Stock Exchanges where it is listed.

Subsequently, the Company received the in-principle approval approval from The National Stock Exchange of India Ltd., and BSE Limited in respect of the Rights Issue of the Company.

The Company has further received the observation letter from SEBI. The Company has made necessary applications to the Foreign Investment Promotion Board (FIPB) and to the Reserve Bank of India (RBI) for issue of partly paid shares to the non resident shareholders and to allow renunciation of partly paid shares. The Company is awaiting the approval from FIPB and RBI, upon receipt of which the Company shall finalise and file the Letter of Offer with SEBI. Thereafter the Funds Mobilising Committee of the Company would finalise the Rights Issue price, ratio of the Rights Issue shares and the record date and file the final Letter of Offer with Stock Exchanges and open the Rights Issue.

DIRECTORS

Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

The terms of appointment of Dr. T. Rajamannar as Whole-time Director will expire on 3rd June, 2013, Your Directors recommend the re-appointment of Dr. T. Rajamannar as Whole-time Director for a further period of 3 years.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Sun Pharma Advanced Research Company Ltd., (SPARC), which is committed to do quality research work, has a dedicated team of around 250 employees. This team consists of 214 scientists who are highly knowledgeable and veterans in their field of work. We understand and value the contribution

of our employees and take great pride in the commitment, competence and vigor shown by them which has helped SPARC to outshine its competitors. We strive to give our employees an environment which is conducive for their professional and personal growth and empowers them to inculcate discretionary behavior in the day-to-day functioning which leads to collective organizational success.

Your Directors truly appreciate the efforts and contribution by Team SPARC for maintaining and further accelerating the growth pace.

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 deposits 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 EARNINGS AND OUTGO

The additional information relating to energy conservation, technology absorption, foreign exchange earnings 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, 2012, 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, 2012 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, the 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 : 2nd May, 2012

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 endeavors to optimize the use of energy and has taken adequate steps to avoid wastage and use the latest technology & equipment, 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, Phase III studies of the oral Sun1334H will commence once the data from the TQT studies is completely analyzed and found acceptable. It has also been developed as an eye-drop for ophthalmic indications. IND filed in the US, phase II clinical trials by ocular administration has been completed. However, considering the results from clinical phase 2 POC study in the US, we are evaluating further clinical development of 1334H ophthalmic solution

Inflammation

SUN-597 is a locally acting anti-inflammatory glucocorticoid replicator 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 spray and as a inhaled product. For nasal spray, Phase I studies (dose escalation, both single dose and repeat dose) in healthy human subjects for assessing the safety of Sun 0597 nasal formulation have been completed in India. IND application for phase 2 studies in patients with allergic rhinitis has been filed in Germany. For the inhaled product, preclinical toxicity is ongoing and IND filing is likely in FY13. A topical cream and ophthalmic formulations are also under development, with IND filings planned for both in FY13.

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 FY13.

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. Phase I studies have now been completed satisfactorily with the IR tablet, where no dose limiting toxicity was observed. Phase I studies of the slow release formulation of Sun-09 have been completed in Q1 FY13.

Anticancer: For Sun-K706 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 FY13. IND filing is expected to be done in FY13.

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-injectio**n

  Nanoparticle based products (Nanotecton)

- **Biodegradable injections/ implants**

- **Topical drug delivery systems**

  Novel device for inhaled drugs

  SMM technology for ophthalmic solution

  GFR technology for ophthalmic 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 has been approved by the USFDA. Baclofen GRS has been filed using the 505 B2 route, and will enter Phase III clinical trials for spasticity Baclofen GRS has been launched in India.

Wrap Matrix

This multi-layered matrix-based tablet offers controlled release with just once a day dosing. Levetiracetam, an anti-epileptic will be filed as a 505b2 in the US.

For a skeletal muscle relaxant. Phase I has been completed in India. Several other products including a cardiovascular, an anticancer and a CNS agent are in development.

INJECTABLE TARGETED DRUG DELIVERY

Nanotechnology based delivery systems (Nanotecton) enables 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 drug using this technology is in development. Our product is manufactured in a proprietary, automated manufacturing unit. Our process of manufacturing microspheres is cleaner compared to the other products available in the market which uses class 2 solvents in large quantities. Also, the manufacturing process is industry-scale.

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 has being developed to comply with the US and European FDA requirements. Phase III studies in India had been successfully completed and the product was launched in the domestic market in 2011. For the US, we are using the 505 (b)(2) route, and intend to file an IND.

SMM technology for ophthalmic formulations

After clinical trial, a BAK free latanoprost OD has been launched in India. IND has been approved at the USFDA. The product is under clinical development for the US.

GFR technology for once a day ophthalmic formulations

A significant advantage over currently available glaucoma therapy, Timolol OD ophthalmic solution has been commercialized in the Indian Market. SPARC is also pursuing the 505(b)(2) route for development of this technology for combination of Timolol and Latanoprost for the US. This combination product uses salient features of two technologies and is under clinical development for India and the US.

BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

SPARC has been working on technology intensive, longer duration projects with uncertain timeframes. 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 under development are platform technologies that can be developed for several different drugs. The eventual commercialization of such NDDS products 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 nursing staff to administer.

3. FUTURE PLAN OF ACTION

New Chemical Entities (NCE's)

Allergy –SUN-1334H

- Pilot TQT studies with the oral Sun 1334H formulation are ongoing
- For ophthalmic formulation, a Phase II study to assess efficacy of 1334H in allergic conjunctivitis in conjunctival allergen challenge (CAC) model has been completed in the USA.

Chronic toxicity studies are ongoing.

Inflammation – SUN-0597

- Completed phase I clinical studies by intranasal route
- IND application for Phase II studies in patients with allergic rhinitis has been filed in Germany and has been approved in Q2 FY13,

For the inhalation product, preclinical toxicity studies are in progress.

For the dermal product, preclinical studies are ongoing. Formulation development is likely to be completed by Q4 FY13.

- For the ophthalmic formulation of Sun 0597, preclinical studies for the selection of appropriate strength and formulation are ongoing.

Pro-drug – SUN-44

IND has been approved by the regulatory authority in India. Phase I trials are to be initiated in FY13.

Pro-drug – SUN-09

Phase I studies of the slow release formulation of Sun-09 have been completed in Q1 FY13.

Sun K706

Preclinical studies to demonstrate its safety and efficacy are underway. Toxicity studies are expected to be completed by Q4 FY13. IND filing is expected to be done in Q1 FY14.

Novel Drug Delivery Systems (NDDS)

ORAL CONTROLLED RELEASE SYSTEMS

Gastro retentive innovative device (GRID)

Baclofen GRS has already been launched in India. The product will now enter Phase III in the US.

Study in alcohol dependence is ongoing.

Wrap matrix system

One ANDA based on this technology (Venlafaxine ER) has been approved by USFDA and launched in the US. Two more ANDAs are filed and awaiting approval. Levitiracetam will be filed as a 505b2 in the US. An anticancer agent, a cardiovascular drug and a CNS drug are under development.

INJECTABLE TARGETED DRUG DELIVERY

Nanoemulsion

PICN- Phase II/III study in metastatic breast cancer has completed enrolment.

DICN- Phase I in patients with solid tumors has been completed in India. Phase I in NSCLC is planned in FY2013.

BIODEGRADABLE INJECTIONS / IMPLANTS

Phase III in acromegaly patients has been completed with satisfactory results, IND is expected to be filed in the US in FY13.

DRY POWDER INHALER

Product launched in India. Pre IND meeting completed for the US, IND likely to be filed in FY13.

SMM TECHNOLOGY FOR OPHTHALMIC FORMULATIONS

Latonoprost eye drops have been launched in India. Phase III study for the US has completed enrollment. NDA filing is likely in FY13.

GFR TECHNOLOGY FOR ONCE A DAY OPHTHALMIC FORMULATIONS

Timolol Maleate based on this technology is marketed in India An NCE is also under development.

One combination product (Latanoprost and Timolol) based on this technology is under development. Phase III efficacy and safety study is ongoing in India, Pre IND meeting is planned for FY13.

4. EXPENDITURE ON R&D

		Year ended 31st March, 2012 ₹ in Thousand	Year ended 31st March, 2011 ₹ in Thousand
a)	Capital	**42,281**	51,590
b)	Revenue	**9,89,171**	6,49,809
c)	Total	**10,31,452**	7,01,399
d)	Total R&D expenditure as % of Total Turnover	**356.0%**	120.2%

B. Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

The Company continues its efforts to develop Innovative and Novel Drug Delivery System and new chemical entities.

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 will eventually bring new and effective products to market. While developing NCE's all efforts are taken to ensure that the process is efficient and environment friendly. These products, if and when commercialized, will help patients lead better lives.

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

C. Foreign Exchange Earnings and Outgo

		Year ended 31st March, 2012 ₹ in Thousand	Year ended 31st March, 2011 ₹ in Thousand
1.	Earnings	**1,60,444**	4,21,474
2.	Outgo	**4,92,063**	2,48,195

AUDITORS' REPORT

TO THE MEMBERS OF
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

1. We have audited the attached Balance Sheet of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss 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. Without qualifying our opinion, we draw attention to Note 27 to the financial statements which indicates that, as at 31st March, 2012, the accumulated deficit of ₹ 1,212,968 thousand in Statement of Profit and Loss has exceeded the aggregate of general reserve and paid up equity share capital, resulting in the net worth being negative at ₹ 666,086 thousand, as represented by shareholders' funds and also that the Company's current liabilities have exceeded its current assets by ₹ 1,267,868 thousand. Notwithstanding the foregoing, the financial statements have been prepared on a going concern basis for the reasons stated in the said Note.

4. 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.

5. Further to our comments in the Annexure referred to in paragraph 4 above and read with our comments 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 Statement of Profit and Loss 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 Statement of Profit and Loss 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, 2012;

      (b) in the case of the Statement of Profit and Loss, 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 the year ended on that date.

6. On the basis of written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 117366W)

Rajesh K Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 2nd May, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 4 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 explanations 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 / know-how) 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 being not 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 / know-how) 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 contracts 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 is in excess of ₹ 5 lakhs in respect of any party, having regard to the nature of 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 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 and other material statutory dues in arrears as at 31st March, 2012 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 and Custom Duty which have not been deposited as on 31st March, 2012 on account of any dispute.

(ix) The accumulated losses i.e. deficit in the Statement of Profit and Loss 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.

(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 ₹ 1,320,182 thousand have, prima facie, been used for long-term investment.

(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
(Firm Registration No. 117366W)

Rajesh K Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 2nd May, 2012

Balance Sheet as at 31st March, 2012

₹ in Thousand

	Note No.	As at 31st March, 2012		As at 31st March, 2011	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	**1**	**2,07,116**		2,07,116	
Reserves and Surplus	**2**	**(8,73,202)**		(1,50,881)	
			(6,66,086)		56,235
Non-current Liabilities					
Long-term Borrowings	**3**	**57,420**		63,000	
Deferred Tax Liabilities (Net)	**4**	**-**		-	
Other Long-term Liabilities	**5**	**2,505**		1,219	
Long-term Provisions	**6**	**12,380**		10,585	
			72,305		74,804
Current Liabilities					
Short-term Borrowings	**7**	**6,19,419**		2,915	
Trade Payables	**8**	**1,62,119**		1,03,150	
Other Current Liabilities	**9**	**6,60,639**		5,31,674	
Short-term Provisions	**10**	**7,865**		8,862	
			14,50,042		6,46,601
TOTAL			**8,56,261**		7,77,640
ASSETS					
Non-current Assets					
Fixed Assets					
Tangible Assets	**11**	**6,39,299**		6,29,305	
Capital Work-in-Progress		**11,398**		12,557	
		6,50,697		6,41,862	
Long-term Loans and Advances	**12**	**18,187**		9,982	
Other Non-current Assets	**13**	**5,203**		843	
			6,74,087		6,52,687
Current Assets					
Current Investments	**14**	**-**		24,673	
Trade Receivables	**15**	**42,642**		26,296	
Cash and Cash Equivalents	**16**	**65,050**		51,548	
Short-term Loans and Advances	**17**	**73,397**		21,637	
Other Current Assets	**18**	**1,085**		799	
			1,82,174		1,24,953
TOTAL			**8,56,261**		7,77,640
See accompanying notes forming part of the Financial Statements					

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

RAJESH K. HIRANANDANI
Partner
Mumbai, 2nd May, 2012

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, 2nd May, 2012

Statement of Profit and Loss for the year ended 31st March, 2012

₹ in Thousand

	Note No.	Year ended 31st March, 2012		Year ended 31st March, 2011	
Revenue from Operations	**19**	**2,89,765**		5,83,478	
Other Income	**20**	**11,457**		12,394	
Total Revenue			**3,01,222**		5,95,872
Expenses					
Cost of Materials Consumed	**21**	**74,155**		76,823	
Employee Benefits Expense	**22**	**3,04,279**		2,56,715	
Finance Costs	**23**	**2,749**		1,280	
Depreciation Expense	**11**	**31,623**		29,859	
Other Expenses	**24**	**6,10,737**		3,16,271	
Total Expenses			**10,23,543**		6,80,948
Loss Before Tax			**(7,22,321)**		(85,076)
Tax Expense:					
Reversal of Provision for Fringe Benefit Tax Relating to Prior Year			**-**		(69)
Loss for the Year			**(7,22,321)**		(85,007)
Earnings per Share					
Basic and Diluted (₹)	**35**		**(3.49)**		(0.41)
Face Value per Equity Share - ₹ 1					
See accompanying notes forming part of the Financial Statements					

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

Mumbai, 2nd May, 2012

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, 2nd May, 2012

Cash Flow Statement for the year ended 31st March, 2012

₹ in Thousand

	Particulars	Year ended 31st March, 2012		Year ended 31st March, 2011	
A.	**Cash Flow from Operating Activities**				
	Loss Before Tax		**(722,321)**		(85,076)
	Adjustments for:				
	Depreciation Expense	**31,623**		29,859	
	Loss on Sale of Fixed Assets (Net)	**252**		35	
	Finance Costs	**2,749**		1,280	
	Interest Income	**(5,772)**		(3,463)	
	Net Gain on Sale of Current Investments	**(369)**		(225)	
	Sundry Balances Written Off / (Written Back) (Net)	**383**		(463)	
	Net Unrealised Exchange (Gain) / Loss	**(232)**		(69)	
			28,634		26,954
	Operating Loss before Working Capital Changes		**(6,93,687)**		(58,122)
	Changes in Working Capital:				
	Adjustments for (Increase) / Decrease in Operating Assets:				
	Trade Receivables	**(16,353)**		(21,260)	
	Short-Term Loans and Advances	**(52,176)**		2,993	
	Long-term Loans and Advances	**2,057**		889	
	Adjustments for Increase / (Decrease) in Operating Liabilities:				
	Long-term Provisions	**1,795**		1,522	
	Trade Payables	**58,919**		2,188	
	Other Current Liabilities	**13,870**		98,331	
	Short-term Provisions	**(997)**		(3,274)	
			7,115		81,389
	Cash (used in) / generated from Operations		**(6,86,572)**		23,267
	Net Income Tax Paid		**(7,913)**		(334)
	Net Cash Flow (used in) / from Operating Activities (A)		**(6,94,485)**		22,933
B.	**Cash Flow from Investing Activities**				
	Capital Expenditure on Fixed Assets, including Capital Advances	**(45,122)**		(47,342)	
	Proceeds from Sale of Fixed Assets	**1,211**		466	
	Bank Balances not considered as Cash and Cash Equivalents				
	- Margin Money Deposits placed	**(59,665)**		(8,187)	
	- Margin Money Deposits matured	**48,520**		21	
	Current Investments not considered as Cash and Cash Equivalents				
	- Purchased	**(2,80,500)**		(1,11,000)	
	- Proceeds from sale	**3,05,542**		86,552	
	Interest Received on Bank Deposits and Others	**5,772**		3,115	
	Net Cash Flow used in Investing Activities (B)		**(24,242)**		(76,375)

₹ in Thousand

	Particulars	Year ended 31st March, 2012		Year ended 31st March, 2011	
C.	**Cash flow from Financing Activities**				
	Proceeds from Long-term Borrowings	**800**		41,700	
	Net Increase / (Decrease) in Working Capital Borrowings from Banks	**6,504**		2,915	
	Proceeds from Short-term Borrowings from Other than Banks	**6,21,500**		-	
	Repayment of Short-term Borrowings from Other than Banks	**(11,500)**		-	
	Advances against Share Application Money for Proposed Rights Issue	**1,10,000**		-	
	Expenses towards Proposed Rights Issue	**(5,425)**		-	
	Finance Costs	**(837)**		(479)	
	Net Cash Flow from Financing Activities (C)		**7,21,042**		44,136
	Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)		**2,315**		(9,306)
	Cash and Cash Equivalents at the beginning of the year		**3,353**		12,659
	Effect of Exchange Differences on Restatement of Foreign Currency Cash and Cash Equivalents		**62**		-
	Cash and Cash Equivalents at the end of the year (Refer Note 16)		**5,730**		3,353
	See accompanying notes forming part of the financial statements				

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

Mumbai, 2nd May, 2012

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, 2nd May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

		As at 31st March, 2012		As at 31st March, 2011	
		Number of Equity Shares	₹ in Thousand	Number of Equity Shares	₹ in Thousand
1	**Share Capital**				
	Authorised				
	Equity Shares of ₹ 1 each	**26,65,00,000**	**2,66,500**	26,65,00,000	2,66,500
		26,65,00,000	**2,66,500**	26,65,00,000	2,66,500
	Issued, Subscribed and Fully Paid Up				
	Equity Shares of ₹ 1 each (Refer Note 28)	**20,71,16,391**	**2,07,116**	20,71,16,391	2,07,116
		20,71,16,391	**2,07,116**	20,71,16,391	2,07,116

₹ in Thousand

		As at 31st March, 2012		As at 31st March, 2011	
2	**Reserves and Surplus**				
	General Reserve				
	As per Last Balance Sheet		**3,39,766**		3,39,766
	Deficit in Statement of Profit and Loss				
	Opening Balance	**(4,90,647)**		(4,05,640)	
	Add: Loss for the Year	**(7,22,321)**		(85,007)	
	Closing Balance		**(12,12,968)**		(4,90,647)
			(8,73,202)		(1,50,881)
3	**Long-term Borrowings**				
	Term Loan from Department of Science and Technology (DST), Government of India under the "Drug and Pharmaceutical Research Program" (Unsecured) [Repayable in 10 annual installments of ₹ 6,380 Thousand (Previous Year ₹ 6,300 Thousand) commencing from August, 2012. Last installment is due in August, 2021]		**57,420**		63,000
			57,420		63,000
4	**Deferred Tax Liabilities (Net)**				
	Deferred Tax Liability				
	Depreciation on Fixed Assets		**1,70,071**		1,59,815
	Less :				
	Deferred Tax Assets				
	Provision for Employee Benefits	**5,260**		4,537	
	Unabsorbed Business Losses / Capital Expenditure (Restricted to the extent of deferred tax liability on depreciation on account of virtual certainty) (Refer Note 31)	**1,64,811**		1,55,278	
			1,70,071		1,59,815
			-		-
5	**Other Long-term Liabilities**				
	Interest Accrued but not Due on Borrowings		**2,505**		1,219
			2,505		1,219
6	**Long-term Provisions**				
	Provision for Employee Benefits - Compensated Absences		**12,380**		10,585
			12,380		10,585

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

₹ in Thousand

		As at 31st March, 2012		As at 31st March, 2011	
7	**Short-term Borrowings**				
	Loan Repayable on Demand				
	From Banks				
	Bank Overdraft Facility (Unsecured)	**8,170**		-	
	Cash Credit Facility (Secured)	**1,249**	**9,419**	2,915	2,915
	(Secured by Lien on Margin Money Deposits)				
	From Other Parties (Unsecured)		**6,10,000**		-
			6,19,419		2,915
8	**Trade Payables**				
	Due to Micro and Small Enterprises (Refer Note 33)		**57**		34
	Others		**1,62,062**		1,03,116
			1,62,119		1,03,150
9	**Other Current Liabilities**				
	Current Maturities of Long-term Debt - Unsecured Term Loan from DST		**6,380**		-
	Interest Accrued but not Due on Borrowings		**626**		-
	Other Payables				
	Statutory Remittances	**16,309**		4,995	
	Payables on Purchase of Fixed Assets	**566**		2,217	
	Contractually Reimbursable Expenses	**4,806**		1,342	
	Security Deposits Received	**1,695**		1,001	
	Advances from Customers	**5,20,257**		5,22,119	
	Advances against Share Application Money for Proposed Rights Issue	**1,10,000**		-	
			6,53,633		5,31,674
			6,60,639		5,31,674
10	**Short-term Provisions**				
	Provision for Employee Benefits				
	Provision for Compensated Absences		**3,241**		3,399
	Provision for Gratuity (Net)		**4,624**		5,463
			7,865		8,862

11 Fixed Assets

₹ in Thousand

Description of Assets	Gross Block (At Cost)				Depreciation				Net Block	
	As at 31st March, 2011	Additions during the year	Deductions during the year	**As at 31st March, 2012**	As at 31st March, 2011	For the year	On Deductions during the year	**As at 31st March, 2012**	**As at 31st March, 2012**	As at 31st March, 2011
Tangible Assets										
Buildings*	2,00,773		-	**2,00,773**	18,845	3,273	-	**22,118**	**1,78,655**	1,81,928
Plant and Equipment	5,31,420	35,127	253	**5,66,294**	1,01,321	26,320	15	**1,27,626**	**4,38,668**	4,30,099
Furniture and Fixtures	14,449	5,946	694	**19,701**	3,419	1,534	268	**4,685**	**15,016**	11,030
Vehicles	7,848	1,208	-	**9,056**	1,600	496	-	**2,096**	**6,960**	6,248
TOTAL	**7,54,490**	**42,281**	**947**	**7,95,824**	**1,25,185**	**31,623**	**283**	**1,56,525**	**6,39,299**	**6,29,305**
Previous Year	7,05,312	51,592	2,414	**7,54,490**	96,440	29,859	1,114	1,25,185	6,29,305	

* Pending Registration

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

₹ in Thousand

		As at 31st March, 2012		As at 31st March, 2011	
12	**Long-term Loans and Advances**				
	(Unsecured - Considered Good)				
	Capital Advances		**4,087**		1,738
	Loans and Advances to Employees		**554**		2,795
	Prepaid Expenses		**1,262**		1,078
	Advance Income Tax		**12,269**		4,356
	Advance Fringe Benefit Tax		**15**		15
			18,187		9,982
13	**Other Non-current Assets**				
	Unamortised Share Issue Expenses [Refer Note 25(xv)]		**4,340**		-
	Other Bank Balances - In Earmarked Accounts				
	Balances held as Margin Money against Guarantees		**863**		843
			5,203		843
14	**Current Investments (At lower of cost and net realisable value)**				
	In Mutual Funds - Unquoted				
	Nil (Previous Year 1,640,732) Units of Face Value of ₹ 10 each in BNP Paribas Mutual Fund - M43 BNP Paribas Overnight - Institutional Growth Fund		**-**		24,673
			-		24,673
15	**Trade Receivables**				
	(Unsecured – Considered Good)				
	Due for Less than Six Months		**42,642**		26,296
			42,642		26,296
16	**Cash and Cash Equivalents**				
	Balances that meet the definition of Cash and Cash Equivalent as per AS 3 - Cash Flow Statements				
	Cash on Hand		**128**		112
	Cheques, Drafts on Hand		**-**		76
	Balances with Banks				
	In Current Accounts	**1,895**		2,728	
	In EEFC Accounts	**3,707**		437	
			5,602		3,165
			5,730		3,353
	Others				
	Balances with Banks - In Earmarked Accounts				
	Balances held as Margin Money against Guarantees [includes deposits of ₹ 13,069 Thousand (Previous Year ₹ 6,094 Thousand) having original maturity of more than 12 months]		**59,320**		48,195
			65,050		51,548
17	**Short-term Loans and Advances**				
	(Unsecured – Considered Good)				
	Loans and Advances to Employees		**11,655**		4,217
	Prepaid Expenses		**2,180**		1,454
	Balances with Government Authorities		**6,948**		3,867
	Advances for Supply of Goods and Services		**52,614**		12,099
			73,397		21,637

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

₹ in Thousand

		As at 31st March, 2012	As at 31st March, 2011
18	**Other Current Assets**		
	(Unsecured – Considered Good)		
	Unamortised Share Issue Expenses [Refer Note 25(xv)]	**1,085**	-
	Others		
	Receivables on Sale of Fixed Assets	**-**	799
		1,085	799

₹ in Thousand

		Year ended 31st March, 2012		Year ended 31st March, 2011	
19	**Revenue from Operations**				
	Sale of Products - Technology / Know-how		**1,82,938**		4,84,238
	Sale of Services - License Fees / Royalty on Technology		**1,06,827**		99,240
			2,89,765		5,83,478
20	**Other Income**				
	Interest on:				
	Deposits with Banks	**5,082**		2,576	
	Loans and Advances	**690**		539	
	Income Tax Refund	**-**	**5,772**	348	3,463
	Net Gain on Sale of Current Investments		**369**		225
	Net Gain on Foreign Currency Transactions and Translation		**5,312**		8,240
	Sundry Balances Written Back (Net)		**-**		463
	Miscellaneous Income		**4**		3
			11,457		12,394
21	**Cost of Materials Consumed**				
	R&D Materials Consumed		**74,155**		76,823
			74,155		76,823
22	**Employee Benefits Expense**				
	Salaries and Wages		**2,61,407**		2,15,599
	Contribution to Provident and Other Funds		**18,518**		13,966
	Staff Welfare Expenses		**24,354**		27,150
			3,04,279		2,56,715
23	**Finance Costs**				
	Interest Expense on:				
	Borrowings		**2,741**		1,273
	Others		**8**		7
			2,749		1,280

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

₹ in Thousand

		Year ended 31st March, 2012		Year ended 31st March, 2011	
24	**Other Expenses**				
	Consumption of Stores and Spare Parts		**22,739**		23,603
	Power and Fuel		**33,466**		27,635
	Rates and Taxes		**1,571**		657
	Rent		**1,290**		1,200
	Insurance		**525**		475
	Repairs				
	Building	**2,454**		1,718	
	Machinery	**11,340**		13,275	
	Others	**4,701**	**18,495**	3,186	18,179
	Printing and Stationery		**4,282**		3,187
	Travelling and Conveyance		**16,173**		11,065
	Testing Charges		**2,287**		1,968
	Communication		**6,099**		5,325
	Loss on Sale of Fixed Assets (Net)		**252**		35
	License and Fees		**9,949**		12,359
	Labour Charges		**12,175**		10,106
	Maintenance Charges		**2,333**		1,638
	Membership Fees and Subscription		**1,575**		1,745
	Clinical Trials and Professional Charges		**4,65,053**		1,88,408
	Payments to Auditors (Net of Service Tax)				
	As Auditors	**600**		500	
	For Other Services*	**450**		200	
	Reimbursement of Expenses	**15**	**1,065**	-	700
	*Excludes ₹ 2,000 Thousand (Previous Year Nil) included in Unamortised Share Issue Expenses in Note 18				
	Software Expenses		**3,207**		454
	Sundry Balances Written Off (Net)		**383**		-
	Miscellaneous Expenses		**7,818**		7,532
			6,10,737		3,16,271

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

25 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 the 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 and disclosure of contingent 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 / materialised.

iii Fixed Assets and Depreciation

Fixed Assets are stated at historical cost less accumulated depreciation 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 Statement of Profit and Loss 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 Statement of Profit and Loss, 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 Statement of Profit and Loss.

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 classified 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 Statement of Profit and Loss.

ix Derivative Accounting

Forward Contracts in the nature of highly probable forecasted transactions / firm commitments entered into for hedging the risk of foreign currency exposure are accounted for on the principles of prudence as enunciated in Accounting Standard 1 (AS-1) "Disclosure of Accounting Policies". Pursuant to this, losses, if any, on Mark to Market basis, are recognised in the Statement of Profit and Loss and gains are not recognised on prudent basis.

x 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.

xi Taxes on Income

Tax expenses comprises of Current tax and Deferred tax. Current Tax provision, if any, 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.

xii Employee Benefits

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

(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.

xiii 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 estimate of the amount of the obligation cannot 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.

xiv 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 Statement of Profit and Loss. 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.

xv Share Issue Expenses

Expenses incurred in connection with issue of shares is accumulated and amortised over a period of 5 years from the year of issue of shares.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

26 Contingent Liabilities and Commitments (to the extent not provided for)

₹ in Thousand

		As at 31st March, 2012	As at 31st March, 2011
i	**Contingent Liabilities**		
	Guarantees given by the bankers against Advance License Scheme	**49,900**	43,686
ii	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**7,797**	3,727

27 The accumulated deficit of ₹ 12,12,968 Thousand in the Statement of Profit and Loss has exceeded the aggregate of general reserve and paid up equity share capital, resulting in the net worth being negative at ₹ 6,66,086 Thousand, as represented by shareholders' funds and also that the Company's current liabilities at ₹ 14,50,042 Thousand have exceeded its current assets at ₹ 1,82,174 Thousand. However, having regard to: (i) the nature of the Company's business; (ii) status of various projects of the Company some of which are at advanced stage of activity, which if successful could generate adequate cash flows; (iii) the Company having obtained shareholders' approval at their meeting held on 8th August, 2011 for issuing additional equity shares on a rights basis to its existing shareholders for an amount aggregating not in excess of ₹ 20,00,000 Thousand, in respect of which the Draft Letter of Offer had been filed with the Securities and Exchange Board of India (SEBI) and SEBI has issued its observation letter to the Company on 25th April, 2012; the Company is in the process of finalising the Letter of Offer and initiating the opening of the Rights Issue; and (iv) in the interim, having procured loans and also received advances against share application money from the promoter group companies, to meet the fund requirements of the Company vis-à-vis the availability of funds with the Company, these financial statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities.

28 Disclosures relating to Share Capital

i Rights, Preferences and Restrictions attached to Equity Shares

The Company has only one class of shares referred to as equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

ii Equity Shares held by each shareholder holding more than 5 percent Equity Shares in the Company are as follows :

Name of the Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No of Equity Shares held	**% of Holding**	No of Equity Shares held	% of Holding
Dilip Shantilal Shanghvi	**2,31,14,048**	**11.16%**	2,31,14,048	11.16%
Viditi Investment Private Limited	**2,03,08,626**	**9.81%**	2,03,08,626	9.81%
Tejaskiran Pharmaceutical Industries Private Limited	**1,99,35,430**	**9.63%**	19,935,430	9.63%
Quality Investments Private Limited	**1,96,02,119**	**9.46%**	19,602,119	9.46%
Family Investments Private Limited	**1,94,66,624**	**9.40%**	19,466,624	9.40%

iii Nil (Previous Year 19,22,60,055) Equity Share have been allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the date as at which the Balance Sheet is prepared, to the shareholders of Sun Pharmaceutical Industries Limited pursuant to scheme of demerger.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

29 Information Relating to Consumption of Materials

₹ in Thousand

	Year ended 31st March, 2012		Year ended 31st March, 2011	
Imported and indigenous				
R&D Materials Consumed	%		%	
Imported	**32.22**	**23,892**	29.44	22,620
Indigenous	**67.78**	**50,263**	70.56	54,203
Total	**100.00**	**74,155**	100.00	76,823

30 Income / Expenditure in Foreign Currency

₹ in Thousand

	Year ended 31st March, 2012	Year ended 31st March, 2011
Income		
Sale of Products - Technology / Know-how	**1,60,444**	4,21,474
Expenditure		
R&D Materials (CIF basis)	**21,349**	22,760
Capital Goods (CIF basis)	**26,724**	27,238
Consumption of Stores and Spare Parts (CIF basis)	**7,808**	4,979
Clinical Trials and Professional charges	**4,28,001**	1,81,868
Travel Expenses	**3,563**	2,791
Others	**4,618**	8,559

31 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 available after tax holiday period u/s 80-IB of the Income Tax Act, 1961. As a prudent measure, the excess deferred tax asset (net) of ₹ 4,36,838 Thousand (Previous Year ₹ 2,09,806 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.

32 The net exchange gain included under Revenue from Operations, Other Income and Cost of Materials Consumed in the Statement of Profit and Loss aggregates ₹ 9,199 Thousand (Previous Year ₹ 10,413 Thousand).

33 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 ₹ 57 Thousand as on 31st March, 2012 (Previous Year ₹ 34 Thousand).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

34 Accounting Standard (AS-17) on Segment Reporting

i Primary Segment

The Company has identified "Pharmaceuticals Research & Development" as the only primary reportable business segment.

ii Secondary Segment (by Geographical Segment)

₹ in Thousand

	Year ended 31st March, 2012	Year ended 31st March, 2011
Within India	**1,29,321**	1,62,004
Outside India	**1,60,444**	4,21,474
Total Income from Operations	**2,89,765**	5,83,478

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

35 Accounting Standard (AS-20) on Earnings Per Share

₹ in Thousand

	Year ended 31st March, 2012	Year ended 31st March, 2011
Loss used as Numerator for calculating Earnings per Share	**7,22,321**	85,007
Weighted Average number of Shares used in computing basic and diluted earnings per share	**20,71,16,391**	20,71,16,391
Nominal / Face Value Per Share (in ₹)	**1**	1
Basic and Diluted Earnings Per Share (in ₹)	**(3.49)**	(0.41)

36 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.

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

38 Accounting Standard (AS-19) On Operating Leases

i 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.

ii Lease payments are recognised in the Statement of Profit and Loss under "Rent" in Note No. 24

39 Details of Derivatives Instruments and Unhedged Foreign Currency Exposures

i 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.

The following are the outstanding Forward Exchange Contracts entered into by the Company as at 31st March, 2012.

in Thousand

Currency	Buy/ Sell	Cross Currency	**Year ended 31st March, 2012**	Year ended 31st March, 2011
US Dollar	Sell	Rupee	**-**	$ 4,000.0

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

in Thousand

	Currency	Year ended 31st March, 2012		Year ended 31st March, 2011	
Amounts receivable in foreign currency on account of the following :					
Sale of Products - Technology / Know-how	Euro	**€ 22.4**	₹ **1,522**	-	-
Amounts payable in foreign currency on account of the following :					
Reimbursement of Expenses	Euro	**€ 70.8**	₹ **4,806**	€ 21.3	₹ 1,342
Import of Goods and Services	US Dollar	**$ 567.1**	₹ **28,849**	$ 448.1	₹ 19,948
	CAD	**CAD 1.9**	₹ **96**	CAD 2.6	₹ 118
	Euro	**€ 27.8**	₹ **1,887**	€ 62.1	₹ 3,918
	Pound	**£ 44.8**	₹ **3,650**	£ 33.7	₹ 2,405
	JPY	**JPY 131.7**	₹ **82**	JPY 2,137.9	₹ 1,153
	SGD	**SGD 1.1**	₹ **45**	-	-

40 Accounting Standard (AS-15) on Employee Benefits

Contributions are made to 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 ₹ 12,357 Thousand (Previous Year ₹ 10,475 Thousand).

₹ in Thousand

	Year ended 31st March, 2012	Year ended 31st March, 2011
Contribution to Provident and Family Pension Fund	**12,021**	10,043
Contribution to Employees State Insurance Scheme (E.S.I.C.)	**254**	346
Contribution to Labour Welfare Fund	**3**	3
Contribution to Employee Deposit Linked Insurance (E.D.L.I.)	**79**	83

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 ₹ 15,621 Thousand (Previous Year ₹ 13,984 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 Statement of Profit and Loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

₹ in Thousand

In respect of gratuity (Funded):	**31st March, 2012**	31st March, 2011
Reconciliation of liability recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	**39,364**	31,331
Fair value of plan assets	**34,740**	25,868
Net liability in the Balance sheet	**4,624**	5,463
Movement in net liability recognised in the Balance sheet		
Net liability as at beginning of the year	**5,463**	8,972
Net expense recognised in the Statement of Profit and Loss	**5,915**	3,275
Contribution during the year	**(6,754)**	(6,784)
Net liability as at the end of the year	**4,624**	5,463
Expense recognised in the Statement of Profit and Loss		
Current service cost	**2,935**	2,619
Interest cost	**2,585**	2,299
Expected return on plan assets	**(2,134)**	(1,915)
Actuarial loss	**2,529**	272
Expense charged to the Statement of Profit and Loss	**5,915**	3,275
Return on plan assets		
Expected return on plan assets	**2,134**	1,915
Actuarial gain	**805**	236
Actual return on plan assets	**2,939**	2,151
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	**31,331**	26,341
Current service cost	**2,935**	2,619
Interest cost	**2,585**	2,299
Paid benefits	**(821)**	(436)
Actuarial loss	**3,334**	508
Commitments as at the end of the year	**39,364**	31,331
Reconciliation of plan assets		
Plan assets as at beginning of the year	**25,868**	17,369
Expected return on plan assets	**2,134**	1,915
Contributions during the year	**6,754**	6,784
Paid benefits	**(821)**	(436)
Actuarial gain	**805**	236
Plan assets as at the end of the year	**34,740**	25,868
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	**8.50%**	8.25%
Expected return on plan assets	**8.50%**	8.25%
Expected rate of salary increase	**6.00%**	6.00%
Mortality	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate

₹ in Thousand

	Year ended				
	31st March, 2012	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008
Experience adjustment					
On plan liabilities - Loss	**4,393**	1,428	14,484	417	957
On plan assets - Gain	**805**	236	146	126	73
Present value of benefit obligation	**39,364**	31,331	26,341	10,565	7,547
Fair value of plan assets	**34,741**	25,868	17,369	11,240	10,342
Excess of (obligation over plan assets) / plan assets over obligation	**(4,623)**	(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, 2013 is ₹ 16,188 Thousand as per premium intimation received from LIC of India.

41 The Revised Schedule VI has been effective from 1st April, 2011 for the presentation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figure have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2012

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, Wholetime 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.

₹ in Thousand

	31st March, 2012	31st March, 2011
Sun Pharmaceutical Industries Ltd		
Reimbursement of Expenses	**31,492**	24,850
Purchase of Goods / DEPB	**6,088**	12,045
Purchase of Fixed Assets	**-**	242
Rent Paid	**1,207**	1,200
Sale of Services - License Fees / Royalty on Technology	**30,699**	82,536
Reimbursement of Expenses incurred	**52**	497
Sale of Fixed Assets	**-**	170
Outstanding Balance Payable (Net)	**60,208**	20,925
Sun Pharma Global FZE		
Sale of Products - Technology / Know-how	**1,56,511**	4,21,474
Outstanding Balance Payable	**5,20,257**	5,22,119
Sun Pharmaceutical Industries		
Purchase of Goods	**249**	152
Sale of Services - License Fees / Royalty on Technology	**63,733**	16,704
Sale of Fixed Assets	**-**	783
Outstanding Balance Receivable (Net)	**25,779**	1,287
Sun Pharmaceutical Industries Inc.		
Reimbursement of Expenses	**651**	3,640
Sun Petrochemicals Pvt. Ltd.		
Sale of Fixed Assets	**238**	-
Sun Pharma Sikkim		
Purchase of Goods	**23**	30
Sale of Services - License Fees / Royalty on Technology	**12,395**	-
Outstanding Balance Receivable / (Payable) (Net)	**1,596**	(5)
Remuneration to Key Managerial Personnel		
Remuneration - Wholetime Director	**29,090**	21,445
Outstanding Balance - Remuneration Payable - Wholetime Director	**4,657**	1,596

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 during the year ended March 31, 2012 and the dates on which held: Four Board meetings were held during the year.

The dates on which the meetings were held during the year ended March 31, 2012 are as follows: 7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

Attendance of each Director at the Board meetings, last Annual General Meeting (AGM), and number of other Directorships and Chairmanships/Memberships 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, 2012**		***No. of other directorships and committee memberships / chairmanships as of 31st March, 2012**		
		Board Meetings	Last AGM held on 8th August, 2011	Other Directorships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	4	4	Yes	1	1	-
Mr. Sudhir V. Valia	4	4	Yes	5	1	-
Dr. T. Rajamannar	4	4	Yes	-	-	-
Mr. S. Mohanchand Dadha	4	4	Yes	2	2	-
Prof. Dr. Goverdhan Mehta	4	4	Yes	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 of the Company 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, 2012. The dates on which Meetings were held are as follows:

7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

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, 2012. The dates on which Meetings were held are as follows:

7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

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 2011-2012 are given below:

(Amount in ₹)

Directors	Salary #	Bonus	Perquisites* / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	-	-	-	-	-
Dr. T. Rajamannar	17,381,616	1,920,000	9,788,298	-	29,089,914
Mr. Sudhir V. Valia	-	-	-	320,000	320,000
Mr. S. Mohanchand Dadha	-	-	-	420,000	420,000
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. Mr. Dilip S. Shanghvi, has been re-appointed as the Chairman & Managing Director of the Company for a further period of five years effective from 1st March, 2012. 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 the Director	No. of Shares
Mr. Sudhir V. Valia (including shares held jointly)	1,839,600
Mr. S. Mohanchand Dadha (including shares held jointly)	29,428
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, 2012. The dates on which Meetings were held are as follows: 7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

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

Investor Complaints:

The total number of investor complaints received and resolved during the year under review, were 2.

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, 2012, on the following dates:

7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

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 Executive 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, 2012, on the following dates:

7th May 2011, 8th August 2011, 24th October 2011 and 1st February 2012.

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	4
Prof. Dr. Goverdhan Mehta	Member	4

9. Fund Mobilising Committee

The Company has formed a Fund Mobilising Committee of its Board of Directors with effect from 7th May, 2011. The Committee comprises of Dr. T. Rajamannar, Mr. Sudhir V. Valia as members with Mr. S. Mohanchand Dadha, Non-Executive and Independent Director, as the Chairman of the Committee. Ms. Meetal Sampat, Company Secretary is the Secretary of the Fund Mobilising Committee.

The brief terms of reference of the Fund Mobilising Committee inter alia include deciding on all matters relating to issue and allotment of the equity shares of the Company pursuant to Rights issue or Qualified Institutional Placements or any offer or otherwise and deciding the issue, offer structure, issue price, record date and other terms and conditions of the issue, to appoint the lead managers and other intermediaries, to file listing applications with stock exchanges, to finalise the basis of allotment and to allot equity shares of the company and such other matters as the Committee or the Board may consider necessary.

Six meetings of the Fund Mobilising Committee were held during the year ended on 31st March, 2012, on the following dates:

14th July 2011, 8th August 2011, 24th October 2011, 23rd January, 2012, 30th January, 2012 and 1st February 2012.

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

Name of the Director	Chairman/ Member	No. of Fund Mobilising Committee Meetings Attended
Mr. S. Mohanchand Dadha	Chairman	5
Dr. T. Rajamannar	Member	5
Mr. Sudhir V. Valia	Member	4

10. Subsidiary Companies

The Company does not have any subsidiary company.

11. 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
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– 390 007, Gujarat.	24-07-2010	3.30 P.M	No Special Resolution passed at the AGM
2010-11	Sixth AGM	Prof. Chandravadan Mehta Auditorium, General Education Centre, Maharaja Sayajirao University of Baroda, Pratapgunj, Vadodara – 390 020, Gujarat	08-08-2011	10.45 A.M	1. Approval for Re-appointment of Mr. Dilip S. Shanghvi as Chairman & Managing Director of the Company for further period of five years effective March 1, 2012.
					2. Approval to create, offer, issue and allot equity shares to the extent of ₹.200 crores by way of the Right Issue or by way of a qualified institutions placement or offer or otherwise

(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.

12. 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. However, the Company has received ₹ 110,000,000 upto 31st March, 2012, as Advances against Share Application Money for the proposed Rights Issue of the Company, from companies promoted by the Promoter.

* 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.

13. 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.

14. General Shareholder Information

14.1 Annual General Meeting:

- **Date and Time** : Tuesday, 31st July 2012, at 10.45 a.m.
- **Venue** : Sir Sayajirao Nagargruh, Akota, Vadodara - 390 020, Gujarat

14.2 Financial Calendar (tentative) : Results for quarter ending 30th June 2012 – Last week of July 2012.
: Results for quarter ending 30th September 2012 – Last week of October 2012.
: Results for quarter ending 31st December 2012 – Last week of January 2013.
: Audited Results for year ended 31st March 2013 – 3rd or 4th week of May 2013.

14.3 Details of Book Closure For Equity Shareholders: : In view of need to have Book Closure during the proposed Rights Issue, the Share Transfer Book are not closed during this Annual General Meeting.

14.4 Dividend Payment Date : N.A.

14.5 (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 2012-13 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.

14.6 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**

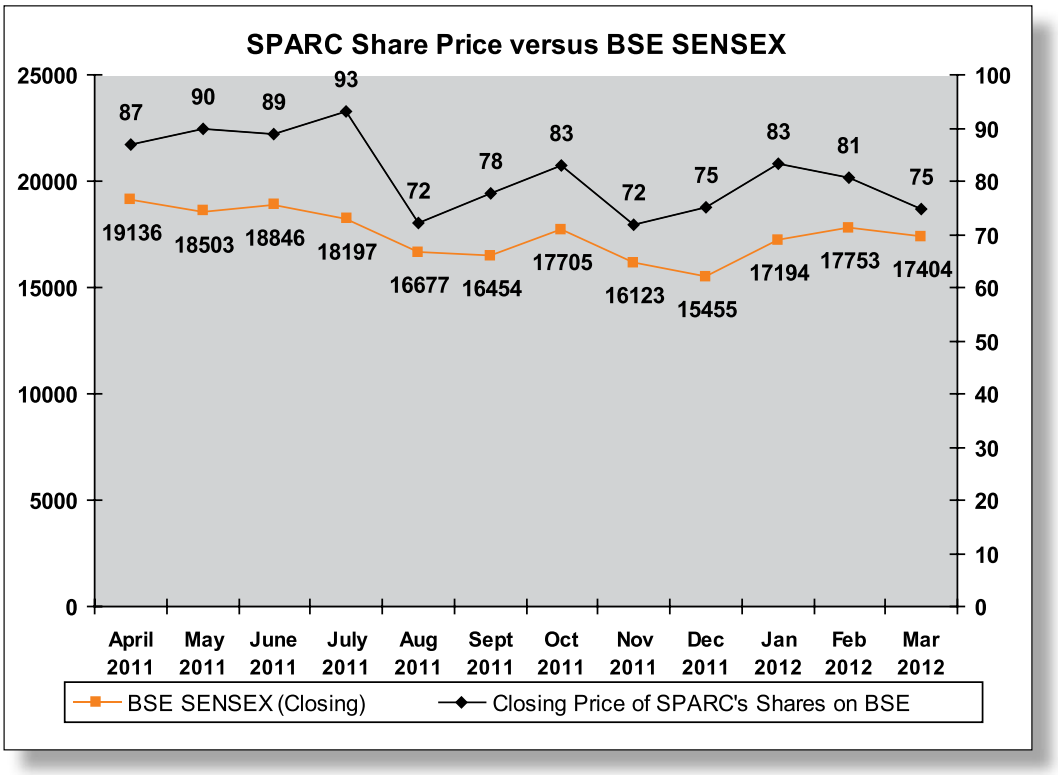
14.7 Stock Market Data

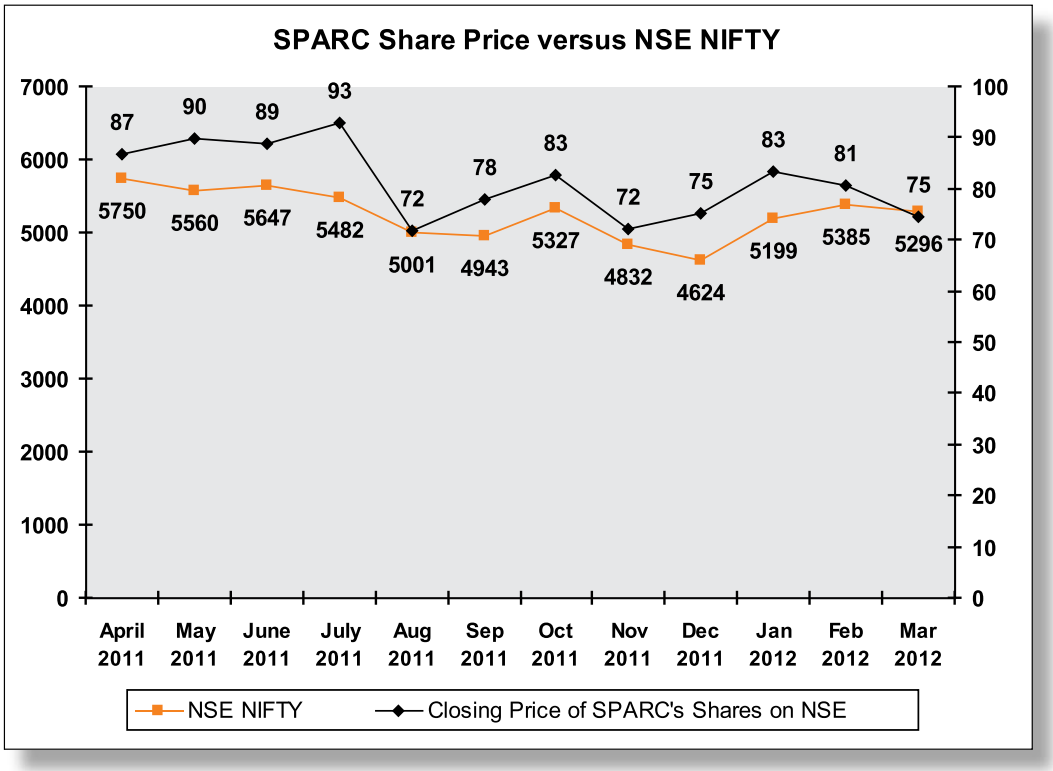
The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange of India Ltd., (NSE).

Equity Shares of ₹ 1/- each :

	Bombay Stock Exchange Ltd. (BSE) (in ₹)		National Stock Exchange of India Ltd., (NSE) (in ₹)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2011	99.65	70.95	99.90	70.90
May 2011	91.25	81.00	91.30	79.00
June 2011	96.70	86.00	96.70	85.10
July 2011	101.75	89.50	101.65	89.45
August 2011	94.85	66.00	94.40	65.60
September 2011	82.85	72.05	82.90	72.20
October 2011	90.30	76.65	90.45	76.65
November 2011	84.95	70.00	85.30	70.20
December 2011	78.00	64.85	78.00	64.70
January 2012	84.75	73.25	84.80	74.10
February 2012	87.45	78.00	87.70	78.45
March 2012	80.75	70.00	81.85	71.50

(Source: BSE and NSE website)





(Source: BSE and NSE website)

14.8 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, 2012.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**BSE SENSEX**	**SPARC RELATIVE TO SENSEX**
Year-on-Year	3.68%	-10.50%	14.18%
2 Years	-25.09%	-0.70%	-24.38%
3 Years	42.06%	79.27%	-37.21%

Share price performance relative to Nifty based on share price on 31st March, 2012.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**NIFTY**	**SPARC RELATIVE TO NIFTY**
Year-on-Year	3.61%	-9.23%	12.83%
2 Years	-25.05%	0.88%	-25.94%
3 Years	41.38%	75.29%	-33.91%

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

14.9 Registrars & Transfer Agent

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

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

14.10 Share Transfer System

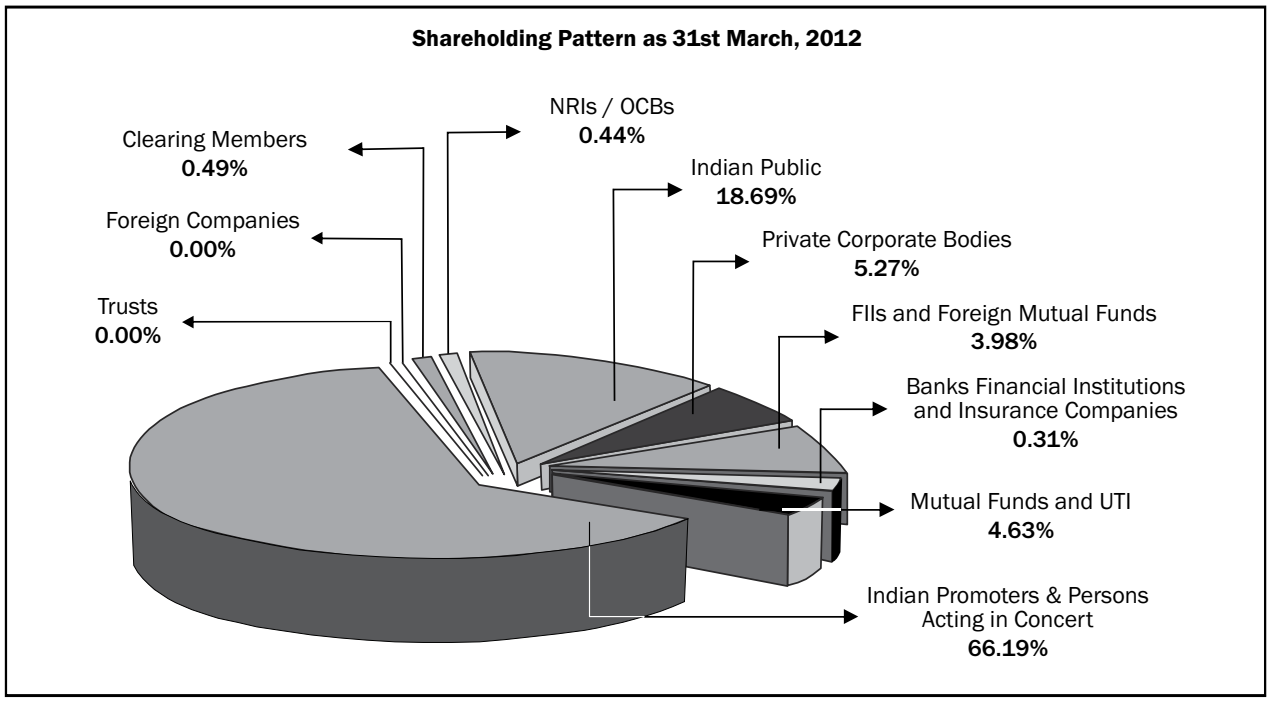
Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects 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.

14.11 Distribution of Shareholding as on March 31, 2012

No. of Equity Shares held	**No. of Accounts**		**Shares of face value ₹ 1/- each**	
	Numbers	**% to total accounts**	**Numbers**	**% to total shares**
Upto 500	50,123	83.58	6,566,167	3.17
501 - 1000	4,275	7.13	3,478,620	1.68
1001 - 2000	3,564	5.94	4,841,094	2.34
2001 - 3000	668	1.12	1,722,378	0.83
3001 - 4000	277	0.46	1,013,364	0.49
4001 - 5000	260	0.43	1,253,412	0.60
5001 - 10000	389	0.65	2,948,629	1.43
10001 and above	414	0.69	185,292,727	89.46
Total	**59,970**	**100.00**	**207,116,391**	**100.00**

14.12 Shareholding Pattern as on 31st March, 2012 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%	137,084,275
B.	Mutual Funds and UTI	4.63%	9,589,236
C.	Banks, Financial Institutions and Insurance Companies	0.31%	653,717
D.	FIIs and Foreign Mutual Funds	3.98%	8,241,609
E.	Private Corporate Bodies	5.27%	10,908,508
F.	Indian Public	18.69%	38,714,168
G.	NRIs / OCBs	0.44%	908,970
H.	Clearing Members	0.49%	1,009,417
I.	Foreign Companies	0.00%	1,998
J.	Trusts	0.00%	4,493
	Total	**100.00%**	**207,116,391**



14.13 Dematerialisation of Shares

About 99.23% of the Equity shares of the Company have been de-materialised up to 31st March, 2012.

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 2011-2012 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	113.634	182.421	296.055
In value terms (Rs. Millions)	9.873	15.979	25.852

(Source: BSE and NSE website)

14.14 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.

14.15 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.

14.16 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- 25946970-78, Fax : 022- 25946969 **For Shares held in Demat Form** To the Depository Participant.
(b) E-mail id designated by the Company for Investor Complaints.	secretarial@sparcmail.com
(c) Any query on Annual Report	**Ms. Meetal S. Sampat** 17/B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093. meetal.sampat@sparcmail.com secretarial@sparcmail.com

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

DR. T. RAJAMANNAR
Whole - Time Director

Place: Mumbai

Date : 2nd May, 2012

Annexure to Corporate Governance For the Year Ended 31st March, 2012

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: 2nd May, 2012

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 the Corporate Governance by **Sun Pharma Advanced Research Company Limited** ("the Company"), for the year ended on March 31, 2012, 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 conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the 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. 36920)

Place: Mumbai
Date: 2nd May, 2012

Notes

Sun Pharma Advanced Research Company Ltd.

Akota Road, Akota, Vadodara 390 020.
www.sunpharma.in