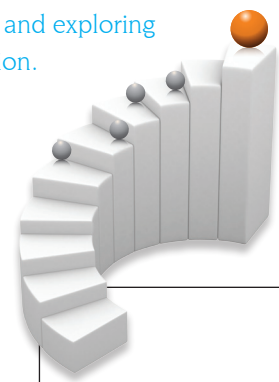
SUN PHARMA
ADVANCED RESEARCH
COMPANY LTD.

Annual Report 2012-13

IN PROGRESS

Annual Report 2012-13

The cover depicts an artist's minimalist interpretation of progress in the journey of discovery, learning and exploring that leads to innovation.



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Prof. Dr. Andrea Vasella
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Ms. Meetal Sampat

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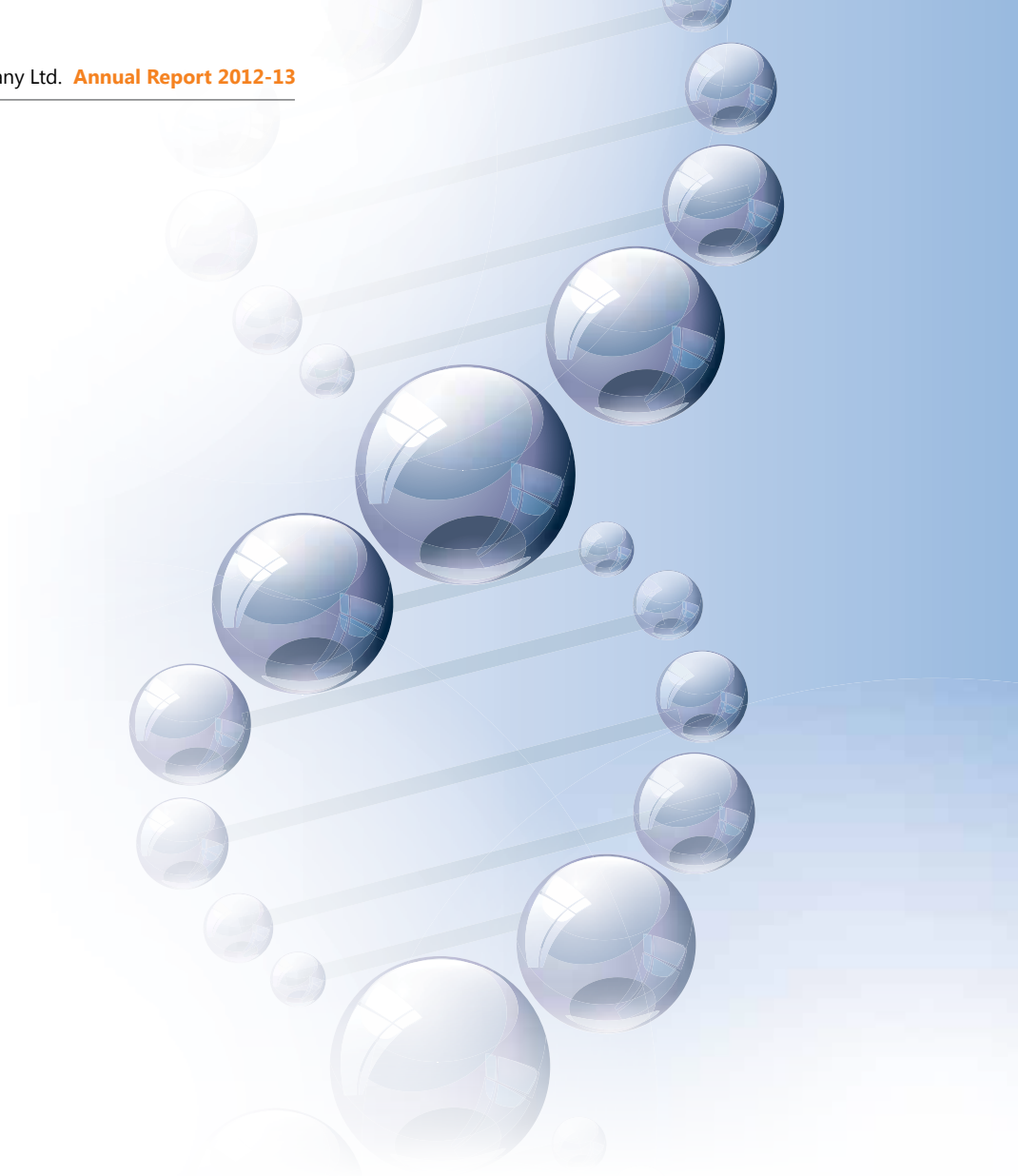


SPARC
MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PHARMACEUTICAL RESEARCH AND DEVELOPMENT INDUSTRY

The growth in R&D spending of the global pharmaceutical industry has been reducing over the past few years after decades of persistent increases. This can be attributed to fall in research productivity over the last few years in terms of quality of new products. While the number of new drug approvals by the US FDA have improved in last one year, fewer drugs are becoming blockbusters, i.e., fewer drugs have the potential of annual revenues of over US$1 billion.

CARE Research estimates that the cost of developing a new molecule in India is likely to be 1/5th of the American cost and this may work to the advantage of Indian companies.

The lower R&D productivity has led to more in-licensing of drugs directly from small upcoming biotech/pharmaceutical companies as compared to in-house research and development. Global innovator companies are becoming more collaborative and may involve the use of technologies across companies (including specialty pharma or large generics firm) to maximise productivity.

There are several companies specializing in pharmaceutical research and development including some biopharmaceutical companies which are into drug research, discovery, development and commercialization of pharmaceutical products.

Large pharmaceutical companies are expected to continue to invest in research and development over the next 5 years, albeit at a slower rate compared to historic levels. Large pharmaceutical companies are overhauling their research and development operations lately, including a much greater use of outsourcing especially for clinical trials and also through in-licensing deals with smaller local companies while the importance of spending big on research remain unchanged.

INDIAN PHARMACEUTICAL RESEARCH & DEVELOPMENT INDUSTRY

The Indian innovative pharmaceutical research and development industry is still in the early stages of evolution. Modest yet serious investments have been made and the initial projects are moving through different phases of research, some have even reached Phase III; and the initial delivery system based-projects based on India-developed technology have reached the market.

In recent times several large pharmaceutical companies in India have increased their research and development spending. CARE Research estimates that the cost of developing a new molecule in India is likely to be 1/5th of the American cost and this may work to the advantage of Indian companies.

Although Indian companies are benefiting from the Contract Research Outsourcing ("CRO") opportunity, innovation of new drugs is the only way to carve niche in pharmaceutical industry. In the present scenario, Indian companies may need to master several research areas/skills before successfully discovering a molecule based on their in-house research efforts.

R&D Expenses of leading Indian companies

R&D Expenses (₹ Mn)	FY12	FY13	R&D as % of FY13 Sales
Dr. Reddy's Lab	5911	7782	6.7%
Lupin	5214	5839	6.2%
Ranbaxy	4529	4490	3.7%
Biocon	1566	1980	8.2%
Cipla	3064	NA	NA
Sun Pharma	4087	6615	5.9%
Cadila	2877	3309	5.3%
Glenmark	2916	3870	7.8%

(Source: HSBC).
Note – Except for Sun Pharma, for all other companies the above R&D expenses represent spending on both innovative and generic research

OPPORTUNITIES AND THREATS

CARE Research expects Indian Pharmaceutical Research and Development spending to grow at a CAGR of 13.4% till FY 2015. This will be backed by several MNC pharmaceutical companies which are increasingly making India their research and development hub given the vast pool of trained manpower and cost advantages. India already has the largest number of USFDA approved plants outside the US and is expected to be among the world's top innovative hubs going forward.

Industry experts now believe that Indian companies will still take 6-8 years to launch a new molecule by their own in-house research and development in the regulated markets. Indian companies also collaborate with multinationals companies through licensing deals for NCEs and for clinical trials to overcome the high risks of drug development.

India already has an edge when it comes to API related research and development and outsourcing job work but the NCE and NDDS research is where Indian companies can derive maximum profitability and become recognized as legitimate competitors in the global scenario.

Capabilities essential for drug discovery and non clinical development are being learnt by the industry as it evolves. There is significant shortage of skilled manpower in the industry in advanced areas of biological sciences such as molecular biology, pharmacology, toxicology and clinical pharmacology.

Another key reason due to which the industry has not grown is funding. There isn't enough risk capital available. While skills are mobile, Indian pharmaceutical companies that derive revenues mainly from the branded generic/ generic markets lack the size to invest in high risk research and development. The cost of bringing a new molecule to market is estimated at USD 1.2 billion. 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.

Today India is a research and development partner of choice because of its formulation development capabilities, process chemistry expertise, skilled workforce and cheaper costs.

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

With an industry history of a little over a decade, innovative pharmaceutical research and development in the Indian industry is still in the early stages of evolution. A strong lineage of expertise in chemistry, large pool of professionals and availability of patients, ideal for clinical research, are factors that have worked to India's advantage in pharmaceutical research and development. However, as the industry evolves, the right mix of skills and a large scientific knowledge pool in the area of biological sciences - molecular biology, pharmacology, toxicology and clinical pharmacology should help the sector move to the next stage of development.

Today India is a research and development partner of choice because of its formulation development capabilities, process chemistry expertise, skilled workforce and cheaper costs. In fact, India also offers an edge in costs over other low cost countries such as China.

India's patent laws are now at par with the level of intellectual property protection in developed nations. This has been both the stimulus and the reason for investments in innovation. It has forced Indian pharmaceutical companies to take a hard look at innovation, as access to new molecules is curtailed, unless these are licensed in or developed in-house. At the same time, companies also recognize the value they can potentially generate as participants in the research process.

Investments in innovative pharmaceutical research and development have relatively higher risk and higher return compared to manufacturing and marketing of generic pharmaceuticals. The time frame, approach, resource requirements and outcome for generic pharmaceuticals are relatively certain.

On the other hand, innovative research, both for NCE and NDDS can have varying and very long time frames and risk. Resource requirements also can be difficult to predict. On an average, it takes approximately 10 to 12 years to develop a new product from the laboratory stage to form ready for consumption by patient.

The dynamics of NCE research and development business are different and investment in NCE research calls for sharper research focus, longer time horizon, higher risk appetite and acceptance of intellectual property. Hence, development of NCEs is not yet a significant part of the research and development activities of Indian companies constituting less than a quarter of the total research and development expenditure by the major companies.

SPARC is an innovative pharmaceutical research and development company focusing on developing new proprietary drugs in two areas namely; **New Chemical Entity (NCE)** and **New Drug Delivery Systems (NDDS).** NCE programs are being developed with a focus on improving therapeutic index and addressing limitations of the currently approved and marketed drugs. NDDS based programs are developed using proprietary drug delivery systems for existing drugs to improve patient compliance and drug safety.

These programs are typically **"long-gestation, high risk, high reward"** by nature. This means they require considerably long-time and high investments for research, development and registration in global markets, but can generate substantial revenues and profits if they do reach the market.

Transmission Electron microscope, SPARC

STRATEGIES

Following are some of the key business strategies of our company:

1. Follow a disciplined and systemic innovation process with balanced allocation of resources to programs with short, medium and long gestation period for development.

2. Focus on programs in niche indications with predictable, sustainable and reasonable market potential.

3. Develop products and technology platforms for the unmet medical need that could add meaningful value to the existing therapeutic armamentarium.

4. Focus on programs where-in an early proof of concept can be established so that a quick go/no go decision can be arrived at.

STRENGTHS

We believe that the following are our competitive strengths:

1. Fully integrated research facilities for medicinal chemistry, process research, analytical research, bio analytical and pharmacokinetics, pharmacology, toxicology and formulation development.

2. US FDA approved testing facility and AAALAC accredited toxicology labs at Tandalja, Vadodara.

3. Competent and experienced team of scientists in the field of medicinal chemistry, pre-clinical research, process development, analytical development and formulation development.

4. Generating high quality of research and development data as evidenced by acceptance of INDs by USFDA for five programs including one NCE.

5. Healthy pipeline of products with a balanced mix of near-term to long-term potential for regulatory approvals in highly regulated markets.

PROGRESS REPORT - SNAPSHOT

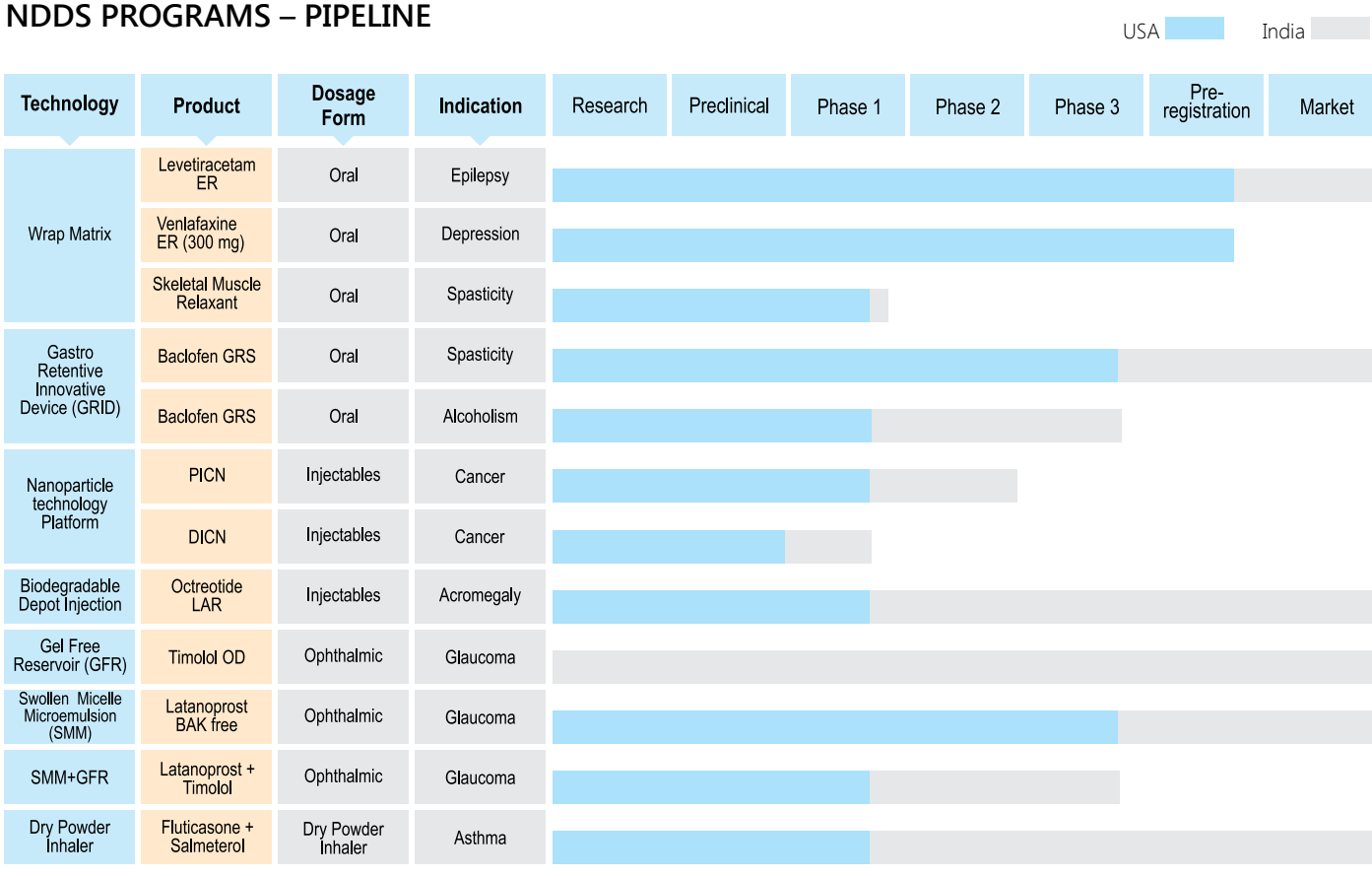
1. NEW DRUG DELIVERY SYSTEMS

Novel drug delivery systems (NDDS) are a new way of effectively delivering a known or new drug in the body, or improvising existing technologies to enhance the safety and patient compliance of the drug.

These drug delivery systems are patient-friendly, as they are less cumbersome, and more convenient for the patient to take as well as for the nursing staff to administer. They are also designed to reduce the complications associated with the drug, such as fluctuations in blood levels and sometimes offer better symptom control.

SPARC is working on several NDDS platform technologies, which are at various stages of development.

NDDS PROGRAMS – PIPELINE



2. NEW CHEMICAL ENTITY

New chemical entities are novel biologically active molecules that have not been previously approved by the United States Food and Drug Administration (USFDA) or any other regulatory agencies. The discovery and development of these new molecules represents one of the most important areas of research in the pharmaceutical industry in the pursuit of treatments for unmet medical need and in the discovery of the next generation of therapeutic agents.

There are two approaches for developing an NCE:

1. Analogue Research – In this approach a new molecule in an existing class with similar core structure (pharmacophore) is discovered and developed. The advantage of this approach is the flexibility to work on an existing class of compounds (with well-documented properties and biological activity) and a known and validated target. The challenge in this approach is to develop a novel non-patent infringing compound which delivers better efficacy as compared to the existing class of compounds or has a better side-effect profile, or has both these attributes. This approach tries to strike a reasonable balance between risks and rewards.

2. Developing completely new drugs – This approach focuses discovery and development of a totally new class of molecule based on an understanding of the underlying biology of the disease. While this approach targets first-in-class drugs with potential to generate a block-buster product, it entails relatively higher risk compared to analogue research since it focuses on completely new drugs with no known leads in existence.

SPARC is working on several NCE projects, which are at various stages of development. Currently, SPARC's NCE efforts are directed mainly towards analogue research in order to strike a reasonable balance between risks and rewards.

NCE PROGRAMS – PIPELINE

Product	Route of Administration	Indication	Research	Preclinical	Phase 1	Phase 2	Phase 3	Market
SUN-597	Nasal	Rhinitis						
SUN-597	DPI	Asthma						
SUN-597	Dermal	Dermatoses						
SUN-597	Ophthalmic	Allergic Conjunctivitis						
SUN-K706	Oral	Chronic Myelogenous Leukemia (CML)						
SUN-L731	Oral	Asthma/ Allergic Rhinitis						
SUN-1334H	Oral	Allergic Diseases	Under Commercial Evaluation					
SUN-1334H	Ophthalmic	Allergic Conjunctivitis	Under Commercial Evaluation					
SUN-09	Oral	Spasticity	Under Commercial Evaluation					
SUN-44	Oral	Neuropathic Pain	Under Commercial Evaluation					

NOVEL DRUG DELIVERY SYSTEM

In FY12-13, SPARC made significant progress in the development of some of the New Drug Delivery Systems (NDDS) projects. Currently, products based on seven NDDS platform technologies are being developed, including oral, injectable, and topical dosage forms. New Drug Applications (NDA) have been filed with the US FDA for Venlafaxine ER and Levetiracetam ER. The NDA for Latanoprost BAK Free Ophthalmic Solution is expected to be filed in FY14.

a. ORAL

1. Gastro Retentive Innovative Device (GRID™)
2. Wrap Matrix System™

b. INJECTABLES

1. Self Dispersing Nanoparticle Technology
2. Biodegradable Depot Injections and Implants

c. TOPICAL

1. Dry Powder Inhaler (DPI)
2. Swollen Micelle Microemulsion (SMM) Technology
3. Gel Free Reservoir (GFR) Technology

a.ORAL

1. GASTRO RETENTIVE INNOVATIVE DEVICE (GRID™)

GRID™ is a once-a-day delivery system for drugs that are otherwise absorbed only from the stomach or upper narrow zone of the gastrointestinal tract, or may have a low solubility in intestinal fluid. However, since most drugs would transit the stomach rather quickly, it is difficult to formulate them into long acting or controlled release formulations. Longer retention in stomach improves drug absorption.

The products with GRID™ technology are designed to retain the drug in the stomach for longer duration of up to 8 hours. These can be designed to offer a combination of instant and sustained drug release profiles, and since it is once-a-day, it improves patient compliance.

Based on GRID™ technology, Baclofen GRS, a once-a-day product to treat skeletal muscle spasticity, has been launched in India. The product is undergoing Phase-III clinical trials in the US for spasticity indication. A Phase-II study is planned in the European Union in FY14 for alcohol de-addiction.

With SPARC's proprietary Wrap Matrix™ technology, a multi-layered matrix-based tablet offers controlled release with just once-a-day dosing without creating too bulky a tablet for products requiring a large daily dose.

2. WRAP MATRIX SYSTEM™

Wrap Matrix™ oral delivery system is designed to improve patient compliance 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 drugs are either, very large and difficult to swallow, or tend to release its entire drug at the same time ("dose dumping"). A combination of immediate and sustained release is also difficult to achieve in the same tablet.

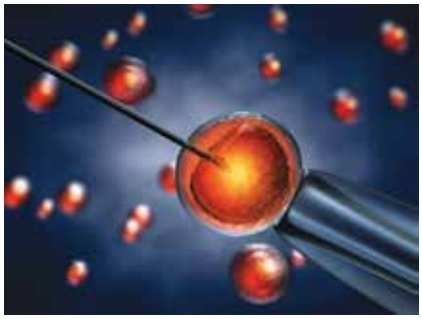
With SPARC's proprietary Wrap Matrix™ technology, a multi-layered matrix-based tablet of such drugs offers controlled release with just once-a-day dosing without creating too bulky a tablet for products requiring a large daily dose.

Based on Wrap Matrix™ technology, Levetiracetam, an anti-epileptic with high solubility and very large dose has been developed as a 1000 mg and 1500 mg tablet that is bioequivalent to Keppra® SR. The NDA for the product had been filed with the US FDA. SPARC has received a Complete Response Letter from the U.S. Food and Drug Administration (FDA) for this NDA. A Complete Response Letter is a communication from the FDA to companies that an NDA cannot be approved in its present form. In the Complete Response Letter, the FDA specified that the clinical data submitted by SPARC establishes bioequivalence in the fasted state. However, the FDA has raised certain queries on the pharmacokinetic data in the fed state. SPARC is evaluating the contents of the letter and plans further discussions with the FDA.

Venlafaxine ER 300mg, an anti-depressant, is the other product based on this technology, for which NDA has been filed with the US FDA.

Other products currently being developed using the Wrap Matrix™ technology include, a skeletal muscle relaxant with ultra short half-life and a CNS agent. Both these products are at an early stage of development.

b. INJECTABLES



Our technology has been crafted to deliver higher concentrations of drug locally to the cancer cells, use lesser excipients, and deliver a higher dose.

1. SELF DISPERSING NANOPARTICLE TECHNOLOGY

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

We have attempted to address these challenges using our proprietary novel self dispersing Nanoparticle technology platform. Our technology has been crafted to deliver higher concentrations of drug locally to the cancer cells, use lesser excipients, and deliver a higher dose.

Using this technology, SPARC has developed Paclitaxel Injection Concentrate for Nanodispersion (PICN) for breast cancer and Docetaxel Injection Concentrate for Nanodispersion (DICN) for Non-small cell lung cancer.

PICN is a Cremophor and Albumin free formulation and gives the benefit of an easy one-step dilution and infusion preparation. It does not require any premedication with steroids or antihistamines and does not give rise to any significant hypersensitivity reactions in patients. We plan to file this product in the US under the 505(b)(2) route.

DICN also gives similar benefits in terms of usage of non-toxic solvents in the formulation, no premedication required, no hypersensitivity risk and avoids limitations of specific bags and in-line filter use. DICN has completed Phase-I trials in India and we have initiated the Phase-Ib trials. For the US market, we plan to file this product with the US FDA through the 505(b)(2) route.

2. BIODEGRADABLE DEPOT INJECTIONS AND IMPLANTS

SPARC has developed a proprietary Depot Technology with biocompatible and biodegradable micron size polymer particles that contains the drug in its matrix, and offers 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, 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 Injection (1 month) and Octreotide Depot Injection (3 month) which offers rapid onset and prolonged release over months. Octreotide is a Somatostatin analogue used for the treatment of hormone dependant cancers. Since uniform blood levels are reached, there are no peaks and valleys that are seen with frequent daily doses.

Octreotide depot Injection (1 Month) has been developed at SPARC with biodegradable depot injection platform. Based on clinical studies undertaken on Acromegaly patients, Octreotide depot injection has been launched in India. Octreotide 3-Month depot Injection is currently under development at SPARC. We plan to file this product with the US FDA through the 505(b)(2) route in FY15.

c. TOPICAL

1. DRY POWDER INHALER (DPI)

SPARC's Salmeterol and Fluticasone DPI (Starhaler™) is a pre-metered, 60 dose, inhalation activated device for administration of combination of inhaled steroids and bronchodilator drugs useful for asthma and COPD. The device is small, convenient and easy to carry. It is easy to use across paediatric, geriatric, and adult patient populations. The device delivers uniform dose independent of inspiratory flow rate. The device is also designed to avoid double dosing.

Starhaler™ was launched in India in FY12 post which it encountered certain functional issues which have now been resolved. The product has been re-launched in the Indian market in 1QFY14. For the US market, we plan to file this product with the US FDA by 4QFY14.

2. SWOLLEN MICELLE MICROEMULSION (SMM) TECHNOLOGY

SMM technology is a platform technology for solubilising 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 about 65 million 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 solubilises the drug in its micelle structure and, is used in almost double quantity than normally required. The chronic exposure to BAK containing ophthalmic formulation results in serious ocular toxicities viz., loss of tear film stability and damage to corneal and conjuctival 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 of the market leader Xalatan®.
Removal of BAK reduces tearing, burning, itching and hence reduces drainage from the surface of the eye.

The NDA filing for this product with the US FDA is planned in FY14. Filings in select emerging markets are also planned in FY14.

3. 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 and also to create a clear and non irritant formulation, SPARC has developed Gel Free Reservoir (GFR) technology.

GFR technology platform consists of a unique polymer that shows synergistic increase in viscosity without the loss of clarity and flow property.

Using the GFR technology, SPARC has developed a fixed dose combination of Latanoprost and Timolol into a once-a-day ophthalmic product. 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.

In Phase-III trials in India, SPARC's combination product, besides allowing the convenience of once-a-day dosing, was found to be comparable in efficacy to the concomitant therapy of Xalatan® once daily and Timoptic® twice daily. The safety of the product was also comparable to concomitant therapy. This combination has been approved in India based on the data from the Phase-III trials. SPARC plans an EU scientific advice for this product in FY14.

NEW CHEMICAL ENTITY

In FY12-13, SPARC made progress in the development of some of the New Chemical Entity (NCE) projects. We currently have a pipeline of 6 NCEs across 10 indications. Of these, 3 NCEs (across 4 indications) are currently under commercial re-evaluation given the possibility of a challenging reimbursement scenario in the developed markets.

Our lead NCE programs include:

1

SUN-597

a topical glucocorticoid for allergic rhinitis, inflammation & asthma

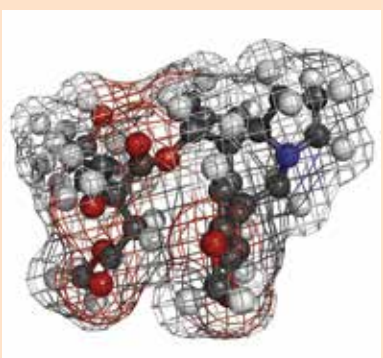
2

SUN-L731

an oral LTD_4 antagonist for treatment of Asthma & Allergic Rhinitis

3

SUN-K706



an oral NCE targeted at treatment of chronic myelogenous leukaemia

Formulation development lab

SUN-597 is a topical glucocorticoid being developed for allergic rhinitis, inflammation, asthma and other applications.

1. SUN-597

SUN-597 is a topical glucocorticoid being developed for allergic rhinitis, inflammation, asthma and other applications. We are currently developing the molecule for administration as a nasal spray, an inhalation product, an ophthalmic product as well as a dermal product.

In preclinical studies, SUN-597, administered through nasal route, had shown good potency in animal models for inflammation, as well in models of asthma and rhinitis. The oral bioavailability as well as plasma half life was very low, and therefore the molecule was expected to show a low likelihood of systemic side effects.

Nasal route - Phase I studies (dose escalation, both single dose and repeat dose) in healthy human subjects for assessing the safety of SUN-597 nasal have been completed in India. In Phase I multiple dose escalating study, SUN-597 was found to be safe and well tolerated when given up to doses of 3200 mcg/day for 14 days. At all dose levels SUN-597 demonstrated encouraging efficacy in relieving nasal symptoms. No significant differences in safety parameters were observed between SUN-597 and placebo while the efficacy was comparable to literature reported data of Fluticasone and Mometasone. A pre-IND meeting with the US FDA is being planned for FY14.

Inhalation route - SUN-597 on direct administration to lungs causes non-significant thymolysis (biomarker of systemic immunological side effect) and glycogen deposition (biomarker of metabolic side effect, viz. steroid-induced diabetes). This implies a high safety index for SUN-597 for undesired side-effects. Our pre-clinical studies indicate that SUN-597 has a wide therapeutic index for local anti-inflammatory efficacy to undesired systemic side effects. The clinical trial application filing for this NCE is planned for FY14.

2. SUN-L731

SUN-L731 is being developed as an oral LTD_4 antagonist for treatment of Asthma & Allergic Rhinitis. In pre-clinical studies, SUN-L731 was found to have fast onset and long duration of action coupled with good oral bio-availability.

For asthma indication, SUN-L731 is approximately 10-fold more potent than Montelukast and has 24 hrs duration of action, implying potential for once-a-day dosing. For allergic rhinitis indication, SUN-L731 has better efficacy than Montelukast in animal model for eosinophilia and has demonstrated approximately 70% oral bioavailability.

In terms of development timelines, we plan to initiate the safety pharmacology and toxicity studies for IND filing by 3QFY14 while the IND filing in India is being targeted for FY15.

SUN-K706 has higher anti-tumour activity in tumour xenograft model compared with approved drugs at clinically relevant doses. SUN-K706 also did not show inhibition of any of the major cytochromes and any significant hERG K+ channel binding affinity.

3. SUN-K706

SUN-K706 is a novel tyrosine kinase inhibitor (TKI), intended for the treatment of chronic myelogenous leukaemia (CML). While 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. Only recently, a third generation TKI, viz. Ponatinib (Iclusig®) which is effective against the T315I mutation, has been approved.

SUN-K706 is a selective Bcr-Abl TKI that targets this T315I resistance in CML. In vitro studies have demonstrated that SUN-K706 potently inhibits, besides other major mutant forms, the T315I mutant of the Abl kinase. SUN-K706 has higher anti-tumour activity in tumour xenograft model compared with approved drugs at clinically relevant doses. SUN-K706 also did not show inhibition of any of the major cytochromes and any significant hERG K+ channel binding affinity.

Thrombocytopenia and effects on platelet function has been indicated in Dasatinib therapy. When assessed at Tmax time points, at equivalent dose level SUN-K706 caused less bleeding indicating low potential for such side effects. We plan to file an IND in India for this NCE in FY14.

Spray droplet size measurement system, analytical lab

PORTFOLIO RE-ASSESSMENT AND COMMERCIAL EVALUATION

We believe that, in the current reimbursement scenario, it will be challenging to get appropriate pricing for products in developed markets without any clear clinical benefit which will justify the commercial returns. With this view we are undertaking a commercial reassessment for our other NCE programs, viz., SUN-1334H (oral & ophthalmic), SUN-09 and SUN-44.

FUND RAISING

We recently concluded the final call of the ₹ 1.98 billion rights issue. Shareholders were given the option of subscribing to a total of 29,588,056 rights shares with a face value of ₹ 1.00 each for cash at a price of ₹ 67.00 each on rights basis in the ratio of 1:7. The funds raised through the rights issue are to be utilized for funding future R&D activities including clinical trials, repayment of loans and other general corporate purposes.

NEAR-TERM OPPORTUNITIES

SPARC Ltd. had contributed its technical and development expertise to a subsidiary company of Sun Pharmaceutical Industries Ltd for meeting the US FDA's regulatory requirements for generic Doxorubicin Liposomal Injection. SPARC Ltd. is eligible for certain milestone and royalty payments from this company for the product. It is also eligible for milestone and royalty payments for some of its NDDS products.

OUTLOOK

Being an R&D company, it is imperative for SPARC to strike a reasonable balance between risks and rewards that such a business necessitates. Over the past few years, SPARC has attempted to balance out between medium-term and long-term R&D projects. Broadly, our New Drug Delivery System (NDDS) projects are directed at potential commercialization in the medium-term while our New Chemical Entity (NCE) projects will potentially get commercialized in the long-term.

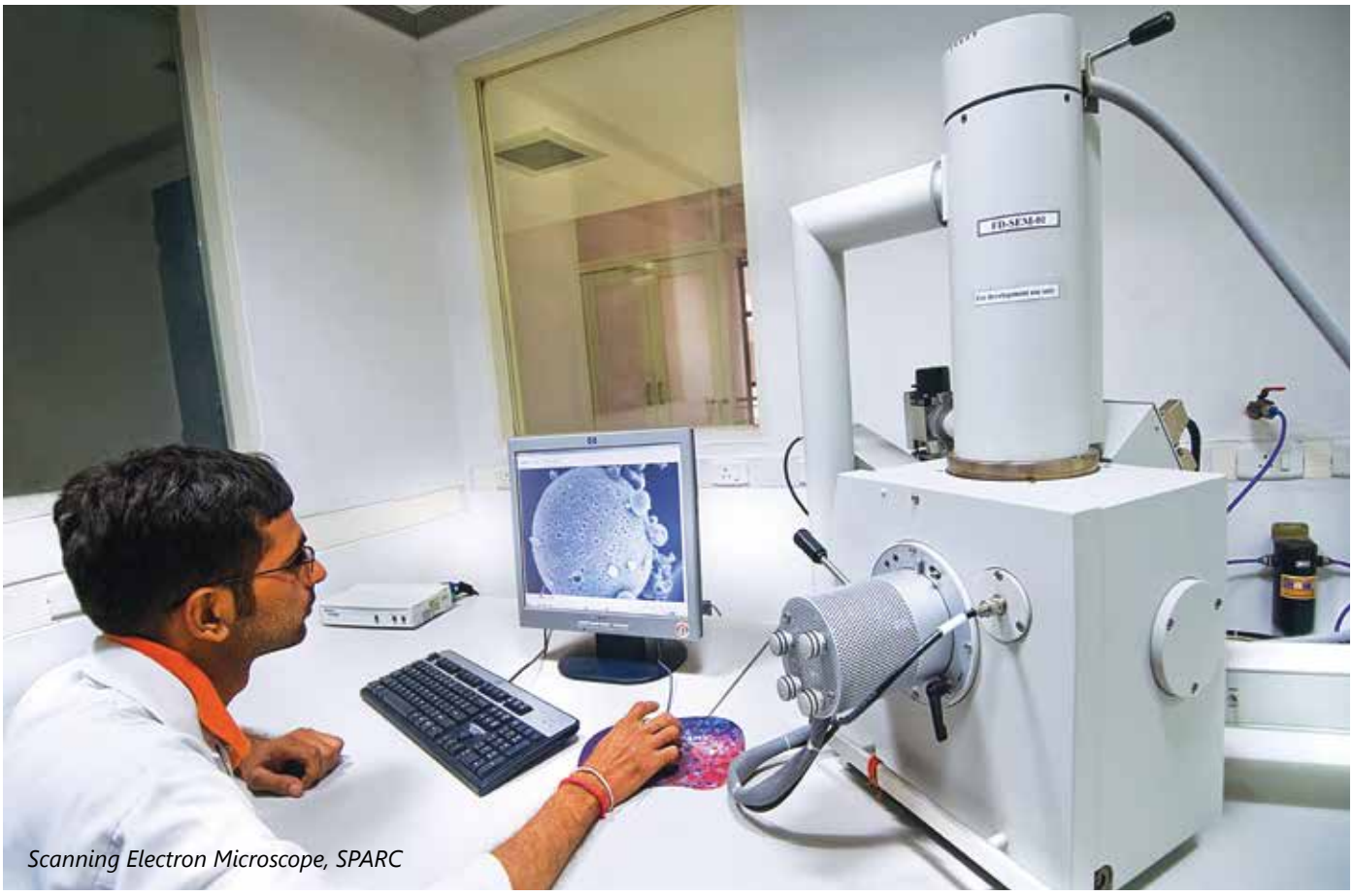
As we take our NCE and NDDS projects ahead on the research pathway, we're learning about how to manage in a changing regulatory environment, handle the technical demands of innovation, and balance the requirements of projects that have short term, medium term and long term timeframes. While we're satisfied 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 closer to market than they were previously.

RISKS AND CONCERNS

Innovative research is a high risk area, and 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 the possibility, that an investment may have to be abandoned if a project is dropped or changed in subsequent stages of research progress, cannot be ruled out. A project may need longer timeframes, or may need additional tests or funding that was 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.



Scanning Electron Microscope, SPARC

SPARC
DIRECTORS' REPORT

Your Directors take pleasure in presenting the Eighth Annual Report and Audited Accounts for the year ended 31st March, 2013.

FINANCIAL RESULT

(₹ in Thousand)

Particulars	**Year ended 31st March, 2013**	Year ended 31st March, 2012
Total Income	**888,959**	301,222
Profit/(Loss) before Depreciation & Tax	**(190,992)**	(690,698)
Depreciation	**33,955**	31,623
Profit/(Loss) before Tax	**(224,947)**	(722,321)
Tax Expense	**-**	-
Profit/(Loss) after Tax	**(224,947)**	(722,321)
Balance brought forward from Previous Year	**(1,212,968)**	(490,647)
Balance carried to Balance Sheet	**(1,437,915)**	(1,212,968)

DIVIDEND

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

RIGHTS ISSUE

During the year under review, the Company had filed Letter of Offer ("LOF") dated 10th August, 2012, with SEBI for issue of 29,588,056 Equity shares of ₹ 1.00 each to existing shareholders on Rights Basis in the ratio of 1 Rights Share for every 7 equity shares held, at issue price of ₹ 67.00 each (including share premium). Pursuant to Rights Issue the Company had on 3rd October, 2012, allotted to the eligible shareholders, 29,588,056 Equity Shares partly paid up to the extent of ₹ 40 per share (comprising of ₹ 0.60 towards face value and ₹ 39.40 per share towards share premium) and the balance ₹ 27.00 per share (comprising of ₹ 0.40 towards face value and ₹ 26.60 per share towards share premium) was payable on Final Call.

Further the Company had announced Final Call on these shares vide Final Call Notice dated February 19, 2013, and the Final Call money was payable from March 1, 2013 up to March 21, 2013. Pursuant to receipt of Final Call Money, till the date of this report, 29,351,987 out of 29,588,056 partly paid Equity shares have been converted to fully paid shares. The remaining shares will be converted as and when the Final call money is received from the respective shareholders.

Consequent to allotment of the aforesaid shares, the Issued and Subscribed Equity Capital of the Company increased from ₹ 207,116,391 as on 31st March, 2012 to ₹ 236,704,447 as on 31st March, 2013 and the Paid-Up Equity Share Capital of the Company increased from ₹ 207,116,391 as on 31st March, 2012 to ₹ 236,599,845 as on 31st March, 2013.

Out of the proceeds of the Rights Issue, as on 31st March, 2013, the Company has utilised amount aggregating to ₹ 1027.5 million towards the Objects of the Issue, as stated in the Letter of Offer. The balance unutilised funds have been temporarily invested in liquid mutual funds / bank.

Due to inherent unpredictability in clinical trial enrolments and results, deployment of funds in clinical trials on R&D projects stated in the LOF may be staggered. The Board of Directors, therefore, at their meeting held on 24th January, 2013 decided to seek the approval of the members, by way of postal ballot, for altering the utilisation of unutilised funds out of the proceeds of the Rights Issue.

The members on 11th May, 2013, by way of resolution by postal ballot approved alteration of the Objects stated in the LOF to utilize the unutilized funds for Pharmaceutical research and development activities - Funding clinical trials in India or USA, on any existing and/or future product/technology including S-597 nasal, Latanoprost plus Timolol combination eye drops, dry powder inhaler, Baclofen GRS Capsule and PICN.

Further, as you are aware, the Company undertakes various Research and Development activities in addition to clinical trials. Numerous allied and supporting activities need to be carried out prior to and after conducting such clinical trials. To reach the stage of clinical trials, the project has to go through various preliminary stages. The Board of Directors therefore now deem fit that the unutilzed funds of the Rights Issue would be better utilized for funding the other operational demands of this technology-intensive field, in addition to utilising the funds for Clinical Trials. Consequently, it is now intended to further alter the utilization of unutilized funds out of the proceeds of the Rights Issue to any research and development activities/expenses, including incidental, ancillary and/or support activities/ expenses incurred by the Company, directly or indirectly. The alteration of the objects of the Letter of Offer issued pursuant to the Rights Issue requires the approval of the members of the Company by way of Special Resolution, which is proposed at the ensuing Annual General Meeting for approval of members.

DIRECTORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE REPORT

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

HUMAN RESOURCES

SPARC, which is committed to do quality research work, has a dedicated team of about 248 employees, of which 206 are highly qualified and experienced scientists comparable to those existing internationally. We understand and value that all employees are career conscious. The growth of employees is intrinsically linked with the growth of any organization and vice versa. No organization can develop without taking its employees on the growth path and therefore, employees' career development is a part of human resources mission. We provide performance driven reward, comprehensive development and learning opportunities, challenging work content and quality of work life.

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

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your Company. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company and others entitled thereto excluding the aforesaid information. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at Mumbai office or Registered office address of the Company.

PUBLIC DEPOSITS

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

INFORMATION ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) that in the preparation of the annual accounts for the financial year ended 31st March, 2013, 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, 2013 on a 'going concern' basis.

AUDITORS

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Place : Vadodara
Date : 14th May, 2013

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) or new molecules, and novel drug delivery systems (NDDS).

New Chemical Entities (NCE)

The thrust areas of research programs for new molecules or new chemical entities (NCE) 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-L731 is a novel cysteinyl leukotriene D4 (LTD4) antagonist being developed for the treatment of allergic rhinitis and for mild to moderate asthma. Currently, Montelukast Sodium is the major marketed drug in this class.

In the in-vitro studies, SUN-L731 showed good potency as an LTD4 antagonist with high selectivity towards the CysLT1 receptor; selectivity being greater than a 1000-fold over other isoforms of the receptor. In animal studies, SUN-L731 demonstrated potency superior to Montelukast in both LTD4-induced bronchospasm in guinea pigs and ovalbumin-induced eosinophilia in BN rats. Besides, SUN-L731 exhibited good oral bioavailability, fast onset of action and long duration suitable for once-a-day dosing.

It is planned to complete safety pharmacology & toxicity studies for this IND by Q3FY14, and to file the IND in FY15.

Inflammation

SUN-0597 is a locally acting anti-inflammatory glucocorticoid receptor agonist, belonging to the category called "soft steroids". Preclinical development has been completed for SUN-0597 for use in the treatment of allergic rhinitis (administered as nasal spray) and asthma (as an inhalation powder product). Preclinical safety studies coupled with optimal efficacy in rhinitis/ asthma models indicate that SUN-0597 has a wide therapeutic index for local anti-inflammatory efficacy to undesired systemic side effects.

For nasal spray, Phase-1 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. SUN-0597 was found to be safe and well tolerated when given up to doses of 3200 mcg/day for 14 days. Initial Phase-2 study for assessing safety and efficacy in patients with allergic rhinitis was conducted in Germany and the results are encouraging. At all the three dose levels (low, medium and high) tested, SUN-0597 demonstrated encouraging efficacy in relieving nasal symptoms that was comparable to the literature reported data of currently marketed potent steroids. In terms of safety parameters, SUN-0597 was not significantly different from placebo. The submission of the clinical trial application for Health Canada and IND filing for US FDA is planned in FY14.

For inhalation powder product, IND application in UK is planned in Q2FY14 for Phase-1 studies (dose escalation, both single does and repeat dose) in healthy human subjects/ patients with mild asthma. This study would assess SUN-0597 for safety, tolerability, and pharmaco-dynamic effects which would reflect efficacy. Besides, a topical cream and ophthalmic formulations are under development, with IND filings planned for both in FY15.

Anticancer

In preclinical studies (in-vitro and in animal models) SUN-K706 demonstrated a good efficacy and safety profile, when compared with the marketed drugs. Optimization of a suitable formulation for achieving high oral bioavailability is underway. Post completion of toxicity studies, IND filing is planned in Q4FY14

Novel Drug Delivery Systems (NDDS)

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

- **Oral Controlled release systems**

  Gastric retention systems (GRS)

  Matrix system (wrap-matrix)

- **Targeted drug delivery-injection**

  Nanoparticle based products (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. SPARC has developed Baclofen GRS once a day using this technology for the treatment of spasticity. The IND was filed with USFDA. SPARC has also submitted and received agreement on special protocol assessment for Phase-3 clinical trial of Baclofen GRS, and the trials have been initiated in the US. Upon successful completion of the clinical trials, Baclofen GRS will be filed using the 505(b)(2) route in the US. Baclofen GRS has already been launched in India.

Wrap Matrix

This technology enables developing a multi-layered matrix-based functionally coated tablet which offers controlled release for high dose and high solubility drugs. Once a day dosing can be achieved using this technology. Two NDAs – Venlafaxine ER 300mg, an anti-depressant and Levetiracetam ER 1000 mg & 1500 mg, an anti-epileptic, have been filed through the 505(b) (2) route in the US using this technology.

For a skeletal muscle relaxant Phase-1 trials have been completed in India. Phase-2 trials are being planned. Various other products are under development using this technology.

SPARC has been granted two patents in the US covering the wrap matrix technology.

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 SPARC 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-3 trials 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

A BAK-free Latanoprost OD has been launched in India We have completed Phase-3 studies in the US and a NDA filing is planned in FY14

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 currently under clinical development for India.

2. 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.

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-L731

- Safety pharmacology & toxicity studies by Q3 FY14
- IND filing expected in FY15.

Inflammation – SUN-0597

- Completed Phase-1 clinical studies in India and one Phase-2 study in Germany by intranasal route
- IND application for Phase-2 studies in patients with allergic rhinitis in Canada and IND filing in US planned in FY14
- IND application for Phase-1 studies in healthy volunteers/ patients with mild asthma planned in UK by 2HFY14
- For the dermal product, preclinical studies are ongoing.

Formulation development is likely to be completed by Q4FY14.

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

Anticancer-SUN-K706

- Formulation development and selection of suitable oral formulation planned by Q2FY14
- Toxicity studies completion and IND filing planned by Q4FY14

Novel Drug Delivery Systems (NDDS)

ORAL CONTROLLED RELEASE SYSTEMS

Gastro retentive innovative device (GRID)

Baclofen GRS has already been launched in India. The product is in Phase-3 trials in the US.

Enrollment for alcohol dependence study in India has been completed.

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 has been filed as a 505(b)(2) application in the US. An anticancer agent, a cardiovascular drug and a CNS drug are under development.

INJECTABLE TARGETED DRUG DELIVERY

Nanoemulsion

PICN- Phase 2/3 study in metastatic breast cancer has been completed. The product will be filed in India in 2HFY14.

Phase-1 study for weekly schedule in solid tumors has been completed.

DICN- Phase-1 study in patients with solid tumors has been completed in India. Phase-1b for NSCLC is planned in FY14.

BIODEGRADABLE INJECTIONS / IMPLANTS

Phase-3 study in acromegaly patients has been completed with satisfactory results, IND is expected to be filed in the US in FY15.

DRY POWDER INHALER

Product launched in India. IND in US likely to be filed in FY14.

SMM TECHNOLOGY FOR OPHTHALMIC FORMULATIONS

Latanoprost eye drops have been launched in India. Phase-3 study for the US is complete. NDA filing is planned in FY14.

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 for which a Phase-3 efficacy and safety study has been completed in India.

4. EXPENDITURE ON R&D

		Year ended 31st March, 2013 ₹ in Thousand	Year ended 31st March, 2012 ₹ in Thousand
a)	Capital	**50,501**	42,281
b)	Revenue	**1,040,445**	989,171
c)	Total	**1,090,946**	1,031,452
d)	Total R&D expenditure as % of Total Turnover	**125.0%**	356.0%

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 NCEs 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, 2013 ₹ in Thousand	Year ended 31st March, 2012 ₹ in Thousand
1.	Earnings	**741,123**	160,444
2.	Outgo	**419,692**	492,063

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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, 2013;

(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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

(a) 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.

(b) In our opinion, proper books of account as required by law

INDEPENDENT AUDITORS' REPORT

have been kept by the Company so far as it appears from our examination of those books.

(c) 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.

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.

(e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

Rajesh K Hiranandani
Partner
(Membership No. 36920)

VADODARA, 14th May, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business / activities / results during the year, clauses vi, viii, xii, xiii, xiv, xv, xviii and xix of paragraph 4 of the Order are not applicable to the Company.

(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 generally maintained proper records of its inventories.

(iv) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Company has taken loans, repayable on demand, including interest accrued thereon converted into loans as per the terms and conditions of loans, aggregating ₹ 813,410 thousand from one party during the year. At the year-end, the outstanding balances of such loans taken aggregated ₹ 738,410 thousand(number of parties - one) and the maximum amount involved during the year was ₹ 738,410 thousand (number of parties - one).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interest of the Company.

(c) The payment of the principal amounts and interest in respect of such loans are regular/ as per stipulations.

(v) In our opinion and according to the information and explanations given to us, 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, and the transactions are of special nature; having regard to the nature of Company's business, a comparison of prices could not be made in the absence of similar transactions with other parties or suitable alternative sources were not readily available for obtaining comparable quotations. Hence, we are unable to comment whether such 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, Customs Duty and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax,

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Sales Tax, Wealth Tax, Service Tax, Customs Duty and other material statutory dues in arrears as at 31st March, 2013 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 Customs Duty which have not been deposited as on 31st March, 2013 on account of any dispute.

(d) Having regards to the nature of the Company's business / activities / results during the year, statutory dues in respect of Investor Education and Protection Fund and Excise Duty are not applicable to the Company.

(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. However, the term loan, to the extent of ₹ 8,350 thousand, obtained from the Department of Science and Technology (DST), Government of India, remained unapplied for the purpose for which it was availed and was accordingly refunded.

(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 have, *prima facie*, not been used during the year for long-term investment.

(xiii) The Management has disclosed the end use of money raised by public issues in the notes to the financial statements and we have verified the same.

(xiv) 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)

VADODARA, 14th May, 2013

Balance Sheet as at 31st March, 2013

₹ in Thousand

	Note No.	As at 31st March, 2013		As at 31st March, 2012	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	1	236,599		207,116	
Reserves and Surplus	2	847,707		(873,202)	
			1,084,306		(666,086)
Non-current Liabilities					
Long-term Borrowings	3	43,618		57,420	
Deferred Tax Liabilities (Net)	4	-		-	
Other Long-term Liabilities	5	2,358		2,505	
Long-term Provisions	6	17,255		12,380	
			63,231		72,305
Current Liabilities					
Short-term Borrowings	7	759,655		619,419	
Trade Payables	8	127,932		162,350	
Other Current Liabilities	9	37,929		660,645	
Short-term Provisions	10	16,872		7,865	
			942,388		1,450,279
	TOTAL		2,089,925		856,498
ASSETS					
Non-current Assets					
Fixed Assets					
Tangible Assets	11	655,492		639,299	
Capital Work-in-Progress		1,631		11,398	
		657,123		650,697	
Long-term Loans and Advances	12	34,160		18,187	
Other Non-current Assets	13	8,507		5,203	
			699,790		674,087
Current Assets					
Current Investments	14	969,059		-	
Trade Receivables	15	250,564		42,642	
Cash and Cash Equivalents	16	67,237		65,050	
Short-term Loans and Advances	17	100,489		73,634	
Other Current Assets	18	2,786		1,085	
			1,390,135		182,411
	TOTAL		2,089,925		856,498

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

Vadodara, 14th May, 2013

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

Vadodara, 14th May, 2013

Statement of Profit and Loss for the year ended 31st March, 2013

₹ in Thousand

	Note No.	Year ended 31st March, 2013		Year ended 31st March, 2012	
Revenue from Operations	19	872,790		289,765	
Other Income	20	16,169		11,457	
Total Revenue			888,959		301,222
Expenses					
Cost of Materials Consumed	21	93,054		74,155	
Employee Benefits Expense	22	365,537		304,279	
Finance Costs	23	39,506		2,749	
Depreciation Expense	11	33,955		31,623	
Other Expenses	24	581,854		610,737	
Total Expenses			1,113,906		1,023,543
Loss Before Tax			(224,947)		(722,321)
Tax Expense:			-		-
Loss for the Year			(224,947)		(722,321)
Earnings (Loss) per Share					
Basic and Diluted (₹)	35		(1.03)		(3.43)
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
Vadodara, 14th May, 2013

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
Vadodara, 14th May, 2013

Cash Flow Statement for the year ended 31st March, 2013

₹ in Thousand

Particulars	Year ended 31st March, 2013		Year ended 31st March, 2012	
A. Cash Flow from Operating Activities				
Loss before Tax		**(224,947)**		(722,321)
Adjustments for:				
Depreciation Expense	**33,955**		31,623	
Loss on Sale of Fixed Assets (Net)	**-**		252	
Finance Costs	**39,506**		2,749	
Interest Income	**(6,898)**		(5,772)	
Net Gain on Sale of Current Investments	**(8,556)**		(369)	
Sundry Balances Written Off / (Written Back) (Net)	**(419)**		383	
Amortisation of Share Issue Expenses	**2,786**		-	
Unrealised Foreign Exchange Gain	**(3,269)**		(163)	
		57,105		28,703
Operating Loss before Working Capital Changes		**(167,842)**		(693,618)
Changes in Working Capital:				
Adjustments for (Increase) / Decrease in Operating Assets:				
Trade Receivables	**(205,017)**		(16,353)	
Short-term Loans and Advances	**(26,855)**		(51,984)	
Long-term Loans and Advances	**(12,367)**		2,057	
Adjustments for Increase / (Decrease) in Operating Liabilities:				
Long-term Provisions	**4,875**		1,795	
Trade Payables	**(33,872)**		58,723	
Other Current Liabilities	**(514,873)**		13,804	
Short-term Provisions	**9,007**		(997)	
		(779,102)		7,045
Net Cash used in Operations		**(946,944)**		(686,573)
Net Income Tax paid		**(6,495)**		(7,913)
Net Cash Flow used in Operating Activities (A)		**(953,439)**		(694,486)
B. Cash Flow from Investing Activities				
Capital Expenditure on Fixed Assets, including Capital Advances	**(36,029)**		(45,122)	
Proceeds from Sale of Fixed Assets	**353**		1,211	
Bank Balances not considered as Cash and Cash Equivalents				
- Margin Money Deposits placed	**(66,533)**		(59,665)	
- Margin Money Deposits matured	**62,760**		48,520	
Current Investments not considered as Cash and Cash Equivalents				
- Purchased	**(1,734,387)**		(280,500)	
- Proceeds from sale	**773,884**		305,543	
Interest Received on Bank Deposits and Others	**6,898**		5,772	

₹ in Thousand

	Particulars	Year ended 31st March, 2013		Year ended 31st March, 2012	
	Net Cash Flow used in Investing Activities (B)		**(993,054)**		(24,241)
C.	**Cash flow from Financing Activities**				
	Proceeds from Long-term Borrowings	**-**		800	
	Repayment of Long-term Borrowings	**(14,730)**		-	
	Net Increase in Working Capital Borrowings from a Bank	**11,826**		6,504	
	Proceeds from Short-term Borrowings	**780,000**		621,500	
	Repayment of Short-term Borrowings	**(685,000)**		(11,500)	
	Advances against Share Application Money for Proposed Rights Issue	**-**		110,000	
	Expense towards Rights Issue	**(8,505)**		(5,425)	
	Proceeds from Issue of Equity Shares on Rights basis	**1,865,339**		-	
	Excess Share Application / Final Call Money received and due for refund (unclaimed)	**167**		-	
	Finance Costs	**(5,153)**		(837)	
	Net Cash Flow from Financing Activities (C)		**1,943,944**		721,042
	Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)		**(2,549)**		2,315
	Cash and Cash equivalents at the beginning of the year		**5,730**		3,353
	Effect of Exchange Differences on Restatement of Foreign Currency Cash and Cash Equivalents		**249**		62
	Cash and Cash equivalents at the end of the year (Refer Note 16)		**3,430**		5,730

Notes:

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

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
Vadodara, 14th May, 2013

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
Vadodara, 14th May, 2013

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

		As at 31st March, 2013		As at 31st March, 2012	
		Number of Equity Shares	₹ in Thousand	Number of Equity Shares	₹ in Thousand
1	**Share Capital**				
	Authorised	**266,500,000**	**266,500**	266,500,000	266,500
	Equity Shares of ₹ 1 each				
		266,500,000	**266,500**	266,500,000	266,500
	Issued, Subscribed and Fully Paid Up (Refer Note 28)				
	Equity Shares of ₹ 1 each	**236,704,447**	**236,704**	207,116,391	207,116
	Less: Calls unpaid		**105**		-
		236,704,447	**236,599**	207,116,391	207,116

₹ in Thousand

		As at 31st March, 2013		As at 31st March, 2012	
2	**Reserves and Surplus**				
	Securities Premium Account				
	Opening Balance	-		-	
	Add : Premium on shares issued during the year (Refer Note 28 (iv))	**1,945,856**		-	
	Closing Balance		**1,945,856**		-
	General Reserve				
	As per Last Balance Sheet		**339,766**		339,766
	Deficit in Statement of Profit and Loss				
	Opening Balance	**(1,212,968)**		(490,647)	
	Add: Loss for the Year	**(224,947)**		(722,321)	
	Closing Balance		**(1,437,915)**		(1,212,968)
			847,707		(873,202)
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 1 installment of ₹ 6,380 Thousand and 9 annual installments of ₹ 5,452 Thousand each (Previous Year 10 Annual Installments of ₹ 6,380 Thousand each) commencing from 1st August, 2012. Last installment is due on 1st September, 2021]		**43,618**		57,420
			43,618		57,420
4	**Deferred Tax Liabilities (Net)**				
	Deferred Tax Liability				
	Depreciation on Fixed Assets		**1,80,154**		1,70,071
	Less :				
	Deferred Tax Assets				
	Provision for Employee Benefits	**7,162**		5,260	
	Unabsorbed Business Losses / Capital Expenditure (Restricted to the extent of deferred tax liability on depreciation on account of virtual certainty) (Refer Note 31)	**172,992**		164,811	
			180,154		170,071
			-		-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

₹ in Thousand

		As at 31st March, 2013		As at 31st March, 2012	
5	**Other Long-term Liabilities**				
	Interest Accrued but not Due on Borrowings		**2,358**		2,505
			2,358		2,505
6	**Long-term Provisions**				
	Provision for Employee Benefits - Compensated Absences		**17,255**		12,380
			17,255		12,380
7	**Short-term Borrowings**				
	Loans Repayable on Demand				
	From Banks				
	Bank Overdraft Facility (Unsecured)	**16,925**		8,170	
	Cash Credit Facility (Secured)	**4,320**	**21,245**	1,249	9,419
	(Secured by Lien on Margin Money Deposits)				
	From Other Parties (Unsecured)		**-**		610,000
			21,245		619,419
	Loans from a Related Party (Unsecured) (Refer Note 37)		**738,410**		-
			759,655		619,419
8	**Trade Payables**				
	Due to Micro and Small Enterprises (Refer Note 33)		**-**		57
	Others		**127,932**		162,293
			127,932		162,350
9	**Other Current Liabilities**				
	Current Maturities of Long-term Debt - Unsecured Term Loan from DST		**5,452**		6,380
	Interest Accrued but not Due on Borrowings		**1,716**		626
	Advances against Share Application Money for Proposed Rights Issue		**-**		110,000
	Temporary Overdrawn bank balance as per books		**1,832**		-
	Excess Share Application / Final Call Money received and due for refund (unclaimed)		**167**		-
	Other Payables				
	Statutory Remittances	**17,549**		16,315	
	Payables on Purchase of Fixed Assets	**2,382**		566	
	Contractually Reimbursable Expenses	**6,315**		4,806	
	Security Deposits Received	**2,516**		1,695	
	Advances from Customers	**-**		520,257	
			28,762		543,639
			37,929		660,645
10	**Short-term Provisions**				
	Provision for Employee Benefits				
	Provision for Compensated Absences		**4,820**		3,241
	Provision for Gratuity (Net) (Refer Note 40)		**12,052**		4,624
			16,872		7,865

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

11 Fixed Assets

₹ in Thousand

Description of Assets	Gross Block (At Cost)				Depreciation				Net Block	
	As at 31st March, 2012	Additions during the year	Deductions during the year	**As at 31st March, 2013**	As at 31st March, 2012	For the year	On Deductions during the year	**As at 31st March, 2013**	**As at 31st March, 2013**	As at 31st March, 2012
Tangible Assets										
Buildings*	**200,773**	**10,565**	**-**	**211,338**	**22,118**	**3,312**	**-**	**25,430**	**185,908**	178,655
	(200,773)	(-)	(-)	(200,773)	(18,845)	(3,273)	(-)	(22,118)	(178,655)	(181,928)
Plant and Equipment	**566,294**	**36,741**	**651**	**602,384**	**127,626**	**28,140**	**298**	**155,468**	**446,916**	438,668
	(531,420)	(35,127)	(253)	(566,294)	(101,321)	(26,320)	(15)	(127,626)	(438,668)	(430,099)
Furniture and Fixtures	**9,056**	**328**	**-**	**9,384**	**2,096**	**538**	**-**	**2,634**	**6,750**	6,960
	(7,848)	(1,208)	(-)	(9,056)	(1,600)	(496)	(-)	(2,096)	(6,960)	(6,248)
Vehicles	**19,701**	**2,867**	**-**	**22,568**	**4,685**	**1,965**	**-**	**6,650**	**15,918**	15,016
	(14,449)	(5,946)	(694)	(19,701)	(3,419)	(1,534)	(268)	(4,685)	(15,016)	(11,030)
TOTAL	**795,824**	**50,501**	**651**	**845,674**	**156,525**	**33,955**	**298**	**190,182**	**655,492**	**639,299**
Previous Year	(754,490)	(42,281)	(947)	(795,824)	(125,185)	(31,623)	(283)	(156,525)	(639,299)	

* Pending Registration

Previous Year figures are in brackets

₹ in Thousand

	As at 31st March, 2013	As at 31st March, 2012
12 Long-term Loans and Advances		
(Unsecured - Considered Good)		
Capital Advances	**1,198**	4,087
Loans and Advances to Employees	**13,010**	554
Prepaid Expenses	**1,173**	1,262
Advance Income Tax	**18,764**	12,269
Advance Fringe Benefit Tax	**15**	15
	34,160	18,187
13 Other Non-current Assets		
Unamortised Share Issue Expenses [Refer Note 25(xv)]	**8,358**	4,340
Other Bank Balances - In Earmarked Accounts		
Balances held as Margin Money against Guarantees	**149**	863
	8,507	5,203
14 Current Investments (At lower of cost and fair value)		
In Mutual Funds - Unquoted (Fully Paid up)		
13,866,164 (Previous Year Nil) Units of Face Value of ₹ 10 each in BNP Paribas Mutual Fund - BNP Paribas Overnight Fund Direct Plan Growth Option	**250,000**	-
47,398,558 (Previous Year Nil) Units of Face Value of ₹ 10 each in JPMORGAN India Liquid Fund - Direct Plan - Growth	**719,059**	-
	969,059	-
15 Trade Receivables		
(Unsecured – Considered Good)		
Outstanding for a period exceeding Six Months from the date they are due for payment	**2,219**	-
Other Trade Receivables	**248,345**	42,642
	250,564	42,642

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

₹ in Thousand

	As at 31st March, 2013		As at 31st March, 2012	
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		**47**		128
Balances with Banks				
In Current Accounts	**633**		1,895	
In EEFC Accounts	**2,750**		3,707	
		3,383		5,602
		3,430		5,730
Others				
Balances with Banks - In Earmarked Accounts				
Balances held as Margin Money against Guarantees [includes deposits of ₹ 57,205 Thousand (Previous Year ₹ 59,205 Thousand) having original maturity of more than 12 months]		**63,807**		59,320
		67,237		65,050
17 Short-term Loans and Advances				
(Unsecured – Considered Good)				
Loans and Advances to Employees		**5,709**		11,892
Prepaid Expenses		**3,592**		2,180
Balances with Government Authorities		**41,301**		6,948
Advances for Supply of Goods and Services		**39,975**		52,614
Deposit with Bombay Stock Exchange		**9,912**		-
		100,489		73,634
18 Other Current Assets				
(Unsecured – Considered Good)				
Unamortised Share Issue Expenses [Refer Note 25(xv)]		**2,786**		1,085
		2,786		1,085

₹ in Thousand

	Year ended 31st March, 2013		Year ended 31st March, 2012	
19 Revenue from Operations				
Sale of Products - Technology / Know-how		**716,364**		182,938
Sale of Services - License Fees / Royalty on Technology		**156,426**		106,827
		872,790		289,765
20 Other Income				
Interest on:				
Deposits with Banks	**5,772**		5,082	
Loans and Advances	**1,123**		690	
Income Tax Refund	**294**		-	
Others	**3**	**7,192**	-	5,772
Net Gain on Sale of Current Investments		**8,556**		369
Net Gain on Foreign Currency Transactions and Translation		**-**		5,312
Sundry Balances Written Back (Net)		**419**		-
Miscellaneous Income		**2**		4
		16,169		11,457

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

₹ in Thousand

	Year ended 31st March, 2013		Year ended 31st March, 2012	
21 Cost of Materials Consumed				
R&D Materials Consumed		**93,054**		74,155
		93,054		74,155
22 Employee Benefits Expense				
Salaries and Wages		**306,007**		261,407
Contribution to Provident and Other Funds		**29,182**		18,518
Staff Welfare Expenses		**30,348**		24,354
		365,537		304,279
23 Finance Costs				
Interest Expense on:				
Borrowings		**39,504**		2,741
Others		**2**		8
		39,506		2,749
24 Other Expenses				
Consumption of Stores and Spare Parts		**26,823**		22,739
Power and Fuel		**38,470**		33,466
Rates and Taxes		**1,431**		1,571
Rent		**1,212**		1,290
Insurance		**1,237**		525
Repairs				
Building	**1,455**		2,454	
Machinery	**21,397**		15,359	
Others	**926**	**23,778**	682	18,495
Printing and Stationery		**4,329**		4,282
Travelling and Conveyance		**18,362**		16,173
Testing Charges		**2,454**		2,287
Communication		**5,536**		6,099
Loss on Sale of Fixed Assets (Net)		**-**		252
License and Fees		**11,513**		9,949
Labour Charges		**12,293**		12,175
Maintenance Charges		**2,835**		2,333
Membership Fees and Subscription		**2,152**		1,575
Clinical Trials and Professional Charges		**410,915**		465,053
Net Loss on Foreign Currency Transactions and Translation		**1,970**		-
Payments to Auditors (Net of Service Tax)				
As Auditors	**700**		600	
For Other Services*	**325**		450	
Reimbursement of Expenses**	**17**	**1,042**	15	1,065
* Excludes ₹ 825 Thousand (Previous Year ₹ 2,000 Thousand) included in Share Issue Expenses in Notes 13 and 18				
** Excludes ₹ 12 Thousand (Previous Year ₹ Nil) included in Share Issue Expenses in Notes 13 and 18				
Software Expenses		**2,040**		3,207
Sundry Balances Written Off (Net)		**-**		383
Amortisation of Share Issue Expenses		**2,786**		-
Miscellaneous Expenses		**10,676**		7,818
		581,854		610,737

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

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.

xvi Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

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

₹ in Thousand

		As at 31st March, 2013	As at 31st March, 2012
i	**Contingent Liabilities**		
	Guarantees given by the bankers against Advance License Scheme	**52,651**	49,900
ii	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**1,023**	7,797

27 Status of Utilisation of rights issue proceeds :

₹ in Thousand

Particulars	Total Projected utilisation as per Letter of Offer	Actual utilisation upto 31st March, 2013
Pharmaceutical research and development activities - clinical trials	**1,029,820**	**76,656**
Repayment of identified loans availed from Group Entities	**610,000**	**610,000**
General corporate purposes	**325,580**	**325,580**
Issue expenses	**17,000**	**15,200**
Funds utilised		**1,027,436**
Un-utilised rights issue proceeds *		**947,903**
		1,975,339
Pending final call proceeds		**7,061**
Total	**1,982,400**	**1,982,400**

* temporarily invested in liquid mutual funds / Current Account with a Bank

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 however, shareholder who has not paid call money on his/her shares shall not be entitled to vote either personally or by proxy in respect of any of such partly paid shares.

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, 2013		As at 31st March, 2012	
	No of Equity Shares held	**% of Holding**	No of Equity Shares held	% of Holding
Dilip Shantilal Shanghvi	**26,809,395**	**11.33%**	23,114,048	11.16%
Viditi Investment Private Limited	**23,555,458**	**9.95%**	20,308,626	9.81%
Tejaskiran Pharmaceutical Industries Private Limited	**23,122,598**	**9.77%**	19,935,430	9.63%
Quality Investments Private Limited	**22,735,998**	**9.61%**	19,602,119	9.46%
Family Investments Private Limited	**22,578,841**	**9.54%**	19,466,624	9.40%
Virtuous Share Investment Private Limited	**11,968,080**	**5.06%**	10,318,427	4.98%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

iii Reconciliation of the number of Shares and amount outstanding at the beginning and at the end of the reporting period.

	As at 31st March, 2013		As at 31st March, 2012	
Equity Shares of ₹ 1 each	**No of Equity Shares**	**₹ in Thousand**	No of Equity Shares	₹ in Thousand
Opening Balance	**207,116,391**	**207,116**	207,116,391	207,116
Add: Shares Issued during the year	**29,588,056**	**29,483**	-	-
Closing Balance	**236,704,447**	**236,599**	207,116,391	207,116

iv During the year, the Company has allotted 29,588,056 equity shares of ₹ 1 each, to its equity shareholders on rights basis in the ratio of 1 equity share of ₹ 1 each for every 7 equity shares of ₹ 1 each held, at a premium of ₹ 66 per equity share. On 261,504 equity shares, calls has remained unpaid towards equity shares capital @ ₹ 0.40 per equity share aggregating to ₹ 105 Thousand reduced from Share Capital in Note 1 above and towards security premium @ ₹ 26.60 per equity share aggregating to ₹ 6,956 Thousand.

29 Information Relating to Consumption of Materials

₹ in Thousand

	Year ended 31st March, 2013		Year ended 31st March, 2012	
Imported and indigenous	%		%	
Materials Consumed				
Imported	**29.30**	**27,268**	32.22	23,892
Indigenous	**70.70**	**65,786**	67.78	50,263
Total	**100.00**	**93,054**	100.00	74,155

30 Income / Expenditure in Foreign Currency

₹ in Thousand

	Year ended 31st March, 2013	Year ended 31st March, 2012
Income		
Sale of Products - Technology / Know-how	**699,080**	160,444
Sale of Services - License Fees / Royalty on Technology	**42,043**	-
Expenditure		
Materials Consumed (CIF basis)	**20,759**	21,349
Capital Goods (CIF basis)	**19,442**	26,724
Consumption of Stores and Spare Parts (CIF basis)	**7,113**	7,808
Clinical Trials and Professional charges	**359,026**	428,001
Travel Expenses	**3,614**	3,563
Others	**9,738**	4,618

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 ₹ 4,95,642 Thousand (Previous Year ₹ 4,36,838 Thousand) in relation to the above has not been recognised in the accounts as there is

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

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 loss / (gain) included under Revenue from Operations, Other Income, Cost of Materials Consumed and Other Expenses in the Statement of Profit and Loss aggregates ₹ 99,494 Thousand (Previous Year (₹ 9,199 Thousand)).

33 Micro and Small 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 ₹ Nil as on 31st March, 2013 (Previous Year ₹ 57 Thousand).

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, 2013	Year ended 31st March, 2012
Within India	**131,667**	129,321
Outside India	**741,123**	160,444
Total Income from Operations	**872,790**	289,765

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, 2013	Year ended 31st March, 2012
Loss used as Numerator for calculating Earnings per Share	**224,947**	722,321
Weighted Average number of Shares used in computing basic and diluted earnings per share*	**217,917,715**	210,514,343
Nominal / Face Value Per Share (in ₹)	**1**	1
Basic and Diluted Earnings Per Share (in ₹)	**(1.03)**	(3.43)

Consequent to the issue of equity shares, during the year, to its shareholders on rights basis, the Earnings Per Share for the previous year has been restated in accordance with Accounting Standard (AS – 20) on "Earnings Per Share" as notified under the Companies (Accounting Standards) Rules, 2006.

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 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-cancellable 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

39 Details of Unhedged Foreign Currency Exposures

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	As At 31st March, 2013			As At 31st March, 2012		
Amounts receivable in foreign currency on account of the following :							
Sale of Products - Technology / Know-how	US Dollar	**$ 3,050.0**	₹	**165,554**	$ 22.4	₹	1,141
Sale of Services - License Fees / Royalty on Technology	US Dollar	**$ 774.6**	₹	**42,043**	-		-
Amounts payable in foreign currency on account of the following :							
Reimbursement of Expenses	Euro	**€ 90.8**	₹	**6,315**	€ 70.8	₹	4,806
Import of Goods and Services	US Dollar	**$ 753.6**	₹	**40,906**	$ 567.1	₹	28,849
	AUD	**AUD 1.1**	₹	**61**	-		-
	CAD	**CAD 1.8**	₹	**96**	CAD 1.9	₹	96
	Euro	**€ 58.1**	₹	**4,045**	€ 27.8	₹	1,887
	Pound	**£ 25.1**	₹	**2,069**	£ 44.8	₹	3,650
	JPY	**JPY 65.7**	₹	**38**	JPY 131.7	₹	82
	NZD	**NZD 0.5**	₹	**24**	-		-
	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 ₹ 14,286 Thousand (Previous Year ₹ 12,357 Thousand).

₹ in Thousand

	Year ended 31st March, 2013	Year ended 31st March, 2012
Contribution to Provident and Family Pension Fund	**14,111**	12,021
Contribution to Employees State Insurance Scheme (E.S.I.C.)	**88**	254
Contribution to Labour Welfare Fund	**2**	3
Contribution to Employee Deposit Linked Insurance (E.D.L.I.)	**85**	79

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 ₹ 22,075 Thousand (Previous Year ₹ 15,621 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, 2013

₹ in Thousand

40 Accounting Standard (AS-15) on Employee Benefits

In respect of gratuity (Funded):	31st March, 2013	31st March, 2012
Reconciliation of liability recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	**56,552**	39,364
Fair value of plan assets	**44,500**	34,740
Net liability in the Balance sheet	**12,052**	4,624
Movement in net liability recognised in the Balance sheet		
Net liability as at beginning of the year	**4,624**	5,463
Net expense recognised in the Statement of Profit and Loss	**14,636**	5,915
Contribution during the year	**(7,208)**	(6,754)
Net liability as at the end of the year	**12,052**	4,624
Expense recognised in the Statement of Profit and Loss		
Current service cost	**3,331**	2,935
Interest cost	**3,346**	2,585
Expected return on plan assets	**(2,953)**	(2,134)
Actuarial loss	**10,912**	2,529
Expense charged to the Statement of Profit and Loss	**14,636**	5,915
Return on plan assets		
Expected return on plan assets	**2,953**	2,134
Actuarial gain	**833**	805
Actual return on plan assets	**3,786**	2,939
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	**39,364**	31,331
Current service cost	**3,331**	2,935
Interest cost	**3,346**	2,585
Paid benefits	**(1,234)**	(821)
Actuarial loss	**11,745**	3,334
Commitments as at the end of the year	**56,552**	39,364
Reconciliation of plan assets		
Plan assets as at beginning of the year	**34,740**	25,868
Expected return on plan assets	**2,953**	2,134
Contributions during the year	**7,208**	6,754
Paid benefits	**(1,234)**	(821)
Actuarial gain	**833**	805
Plan assets as at the end of the year	**44,500**	34,740
The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense.		
Discount rate	**8.25%**	8.50%
Expected return on plan assets	**8.25%**	8.50%
Expected rate of salary increase	**7.00%**	6.00%
Mortality	**Indian Assured Lives Mortality (2006-08) Ultimate**	LIC (1994-96) Ultimate

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2013

₹ in Thousand

	Year ended				
	31st March, 2013	31st March, 2012	31st March, 2011	31st March, 2010	31st March, 2009
Experience adjustment					
On plan liabilities - Loss	**4,843**	4,393	1,428	14,484	417
On plan assets - Gain	**833**	805	236	146	126
Present value of benefit obligation	**56,552**	39,364	31,331	26,341	10,565
Fair value of plan assets	**44,500**	34,740	25,868	17,369	11,240
Excess of (obligation over plan assets) / plan assets over obligation	**(12,052)**	(4,624)	(5,463)	(8,972)	675

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, 2014 is ₹ 22,613 Thousand as per premium intimation received from LIC of India.

41 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, 2013

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. (Upto 28th February, 2013)
   Caraco Pharmaceutical Industries Ltd.
   Sun Pharmaceutical Industries (Since Converted into Part IX Company w.e.f. 31st August, 2012)
   Sun Pharma Sikkim (Since Converted into Part IX Company w.e.f. 31st August, 2012)
   Sun Pharma Medication Pvt. Ltd.(w.e.f. 31st August, 2012)
   Sun Pharma Drugs Pvt. Ltd.(w.e.f. 31st August, 2012)
   Taro Pharmaceuticals Inc.
   Sun Petrochemicals Pvt. Ltd.

₹ in Thousand

Particulars	31st March, 2013	31st March, 2012
Sun Pharmaceutical Industries Ltd		
Reimbursement of Expenses	**35,940**	31,492
Purchase of Goods	**23,541**	6,088
Rent Paid	**1,212**	1,207
Interest Expenses	**37,122**	-
Sale of Services - License Fees / Royalty on Technology	**26,415**	30,699
Reimbursement of Expenses incurred	**1,281**	52
Sale of Fixed Assets	**351**	-
Loans Received	**780,000**	-
Loans Repaid	**75,000**	-
Outstanding Balance Payable (including interest accrued)	**755,506**	60,208
Sun Pharma Global FZE		
Sale of Products - Technology / Know-how	**685,811**	156,511
Sale of Services - License Fees / Royalty on Technology	**42,043**	-
Outstanding Balance Receivable / (Payable)	**207,597**	(520,257)
Sun Pharma Medication Pvt. Ltd.		
Purchase of Goods	**146**	N.A.
Sale of Services - License Fees / Royalty on Technology	**44,708**	N.A.
Outstanding Balance Receivable	**18,910**	N.A.
Sun Pharmaceutical Industries		
Purchase of Goods	**283**	249
Sale of Services - License Fees / Royalty on Technology	**29,173**	63,733
Outstanding Balance Receivable	**-**	25,779
Sun Pharmaceutical Industries Inc.		
Reimbursement of Expenses	**926**	651
Outstanding Balance Payable	**-**	-
Caraco Pharmaceutical Industries Ltd.		
Reimbursement of Expenses	**32**	-
Outstanding Balance Payable	**32**	-
Sun Petrochemicals Pvt. Ltd.		
Sale of Fixed Assets	**-**	238
Sun Pharma Drugs Pvt. Ltd.		
Purchase of Goods	**145**	N.A.
Sale of Services - License Fees / Royalty on Technology	**9,707**	N.A.
Outstanding Balance Receivable	**5,476**	N.A.
Sun Pharma Sikkim		
Purchase of Goods	**26**	23
Sale of Services - License Fees / Royalty on Technology	**4,381**	12,395
Outstanding Balance Receivable	**-**	1,596
Taro Pharmaceuticals Inc.		
Reimbursement of Expenses	**42**	-
Outstanding Balance Payable	**42**	-
Remuneration to Key Managerial Personnel		
Remuneration - Wholetime Director	**31,588**	29,090
Outstanding Balance - Remuneration Payable - Wholetime Director	**5,412**	4,657

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 31st March, 2013 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 31st March, 2013 are as follows: 2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

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, 2013		*No. of other directorships and committee memberships / chairmanships as of 31st March, 2013		
		Board Meetings	Last AGM held on 31st July, 2012	Other Directorships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	4	4	Yes	2	1	-
Mr. Sudhir V. Valia	4	4	Yes	6	1	-
Dr. T. Rajamannar	4	4	Yes	-	-	-
Mr. S. Mohanchand Dadha	4	3	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 inter alia 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, reviewing with the management the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), 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, 2013. The dates on which Meetings were held are as follows:

2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

Name of the Director	Chairman/Member	No. of Audit Committee Meetings attended
Mr. S. Mohanchand Dadha	Chairman	3
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, 2013. The dates on which Meetings were held are as follows:

2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

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	3
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 2012-2013 are given below:

(₹ in Thousand)

Directors	Salary #	Bonus	Perquisites* / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	-	-	-	-	-
Dr. T. Rajamannar	20,082	2,179	9,327	-	31,588
Mr. Sudhir V. Valia	-	-	-	320	320
Mr. S. Mohanchand Dadha	-	-	-	320	320
Prof. Dr. Goverdhan Mehta	-	-	-	520	520
Prof. Dr. Andrea Vasella	-	-	-	520	520

Salary includes Special/Supplementary Allowance.

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

Besides this, the Whole-Time Director is also entitled to Mediclaim and Gratuity at the end of tenure as per rules of the Company. Leave accumulated and not availed during his tenure as a Whole-Time Director is allowed to be encashed at the time of retirement 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, had been re-appointed as the Whole-time Director of the Company for a period of three years effective from 4th June, 2010 and has been re-appointed for further period of three years effective from 4th June, 2013. 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 as on 31st March 2013

Name of the Director	No. of Shares
Mr. Sudhir V. Valia (including shares held jointly)	1758169
Mr. S. Mohanchand Dadha (including shares held jointly)	11632
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, 2013. The dates on which Meetings were held are as follows:

2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

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 1.

7. Ethics & Compliance Committee

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

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

Four meetings of the Ethics & Compliance Committee were held during the year ended on 31st March, 2013, on the following dates:

2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

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	3
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, 2013, on the following dates:

2nd May 2012, 31st July 2012, 27th October 2012 and 24th January 2013.

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 and Monitoring Committee

During the year, the name of the Fund Mobilising Committee of the Company was changed to Fund Mobilising and Monitoring Committee and composition of the Committee was also changed effective from 27th October, 2012. The Fund Mobilising and Monitoring Committee now comprises of Prof. Dr. Andrea Vasella, Prof. Dr. Goverdhan Mehta as members with Dr. T. Rajamannar, Whole-time Director, as the Chairman of the Committee. Ms. Meetal Sampat, Company Secretary is the Secretary of the Fund Mobilising and Monitoring Committee.

The brief terms of reference of the Fund Mobilising and Monitoring 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, monitor the utilisation of funds of 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 and Monitoring Committee were held during the year ended on 31st March, 2013, on the following dates:

2nd May 2012, 31st July 2012, 10th August 2012, 3rd October 2012, 27th October 2012 and 24th January 2013.

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

Name of the Director	Chairman/ Member	No. of Fund Mobilising and Monitoring Committee Meetings Attended
Dr. T. Rajamannar*	Chairman*	6
Mr. Sudhir V. Valia**	Member **	4
Mr. S. Mohanchand Dadha**	Chairman **	4
Prof. Dr. Goverdhan Mehta #	Member #	2
Prof. Dr. Andrea Vasella #	Member #	2

Note :

* - Designated as Chairman of the Committee with effect from 27th October, 2012.

** - Ceased to be a member of the Committee with effect from 27th October, 2012.

- appointed as a member of the Committee with effect from 27th October, 2012.

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
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 1st March, 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 institutional placement or offer or otherwise.

2011-12	Seventh AGM	Sir Sayajirao Nagargruh, Akota, Vadodara-390 020 Gujarat	31.07.2012	10.45 A.M	1) Approval of alteration of the Articles of Association of the Company to enable the Directors to participate in the Board/ Committee meetings of the Company by way of Video Conferencing. 2) Approval for increase in remuneration of Dr. T. Rajamannar, Whole Time Director with effect from 1st April, 2012 upto the remaining period of his present term of appointment. 3) Approval for Re-appointment and remuneration of Dr. T. Rajamannar as Whole-time Director of the Company for further period of three years effective 4th June, 2013.

(ii) Postal Ballot :

The Board of Directors of the Company at their meeting held on 24th January, 2013, had considered change in the objects of the Rights Issue stated in the Letter of Offer, subject to the approval of its members by way of Postal Ballot. Accordingly, the Company obtained the approval of its members by way of Special Resolution on dated 11th May, 2013, passed by Postal Ballot, to revise the utilisation of unutilised portion of the proceeds from Rights Issue for Pharmaceutical research and development activities - Funding clinical trials in India or USA on any existing and/or future product/technology including S0597 nasal, Latanoprost plus Timolol combination eye drops, dry powder inhaler, Baclofen GRS Capsule and Paclitaxel Injection for Nanodispersion ("PICN").

The brief details of the Postal Ballot are as under :

1. The Board of Directors of the Company had, at its meeting held on 24th January, 2013, appointed Mr. Umesh Lakhani, Partner, M/s S.H.Bathiya and Associates, as the Scrutinizer for conducting the postal ballot voting process.
2. The Postal Ballot process was carried out in a fair and transparent manner.
3. E-Voting option: In compliance with Clause 35B of the Listing Agreement and section 192A of the Companies Act, 1956, the Company had provided an option to the members, to vote on the postal ballot by way of electronic voting (e-voting) to enable members to cast their vote electronically. In case the member had exercised the vote in physical as well as electronic mode, the vote by electronic mode only was considered.
4. All postal ballot forms received and electronic votes cast on 8th May, 2013 upto 6.00 pm the last date and time fixed by the Company for receipt of the forms, had been considered.
5. The results of the Postal Ballot were announced on 11th May, 2013 as per the Scrutinizer's Report as under :

Promoter/ Public	**No. of Shares held**	**No. of votes polled**			**% of votes Polled on outstanding shares**	**No. of Votes in favour**	**No. of votes against**	**% of votes in favour on votes polled**	**% of votes against on votes polled**
		Physical	E-voting	Total					
	(1)	(2)			(3)=[(2)/(1)] *100	(4)	(5)	(6)=[(4)/(2)]*100	(7)=[(5)/(2)]* 100
Promoters and Promoter Group	158893196	0	157676959	157676959	99.23	157676959	0	100	0
Public – Institutional holders	19519889	8379328	0	8379328	42.93	8379328	0	100	0
Public-Others	58291362	330667	16048644	16379311	28.10	16378219	1092	99.9933	0.0067
Total	236704447	8709995	173725603	182435598	77.07	182434506	1092	99.9994	0

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, the Company issued 29588056 equity shares of ₹ 1/- each to its equity shareholders on rights basis in the ratio of 1 equity share for every 7 equity shares held of ₹ 1/- each at a premium of ₹ 66/- per equity share, The details of the same are as follows :

  1. As per the terms of the Rights Issue, an amount of ₹ 40 per equity share (comprising of ₹ 0.60 per share towards share capital and ₹ 39.40 per share towards share premium) was payable on application; and the balance ₹ 27 per equity share (comprising of ₹ 0.40 per share towards share capital and ₹ 26.60 per share towards share premium) on final call.

  2. The Issue opened on Thursday, 6th September, 2012 and closed on Friday, 21st September, 2012 and subsequently 29588056 partly paid equity shares were allotted to the successful applicants on 3rd October, 2012.

  3. The Board of Directors at their meeting held on 24th January, 2013, decided to make the Final Call of ₹ 27 per share on its partly paid Equity Shares allotted pursuant to the Rights Issue. The Final Call Money was payable from 1st March, 2013 to 21st March, 2013.

  4. The partly paid up shares are converted to fully paid shares on receipt of Final Call money. On 261,504 equity shares, Final Call money had remained unpaid as on 31st March, 2013.

  5. The Company is accepting Final call money payment with interest for payments made after the due date. The reminders for the payment of final call will be sent those shareholders who have failed to pay the final call money.

  6. The remaining partly paid shares shall be converted to fully paid shares as and when the Company receives the Final call money from the respective shareholders.

- 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 download-able 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 BSE 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, 30th July, 2013, at 11.30 a.m.
- **Venue** : Sir Sayajirao Nagargruh, Akota, Vadodara - 390 020, Gujarat.

14.2 Financial Calendar (tentative)

: Results for quarter ending 30th June 2013 – Last week of July 2013.

: Results for quarter ending 30th September 2013 – Last week of October 2013/ First week of November 2013.

: Results for quarter ending 31st December 2013 – Last week of January 2014 / First week of February 2014

: Audited Results for year ended 31st March 2014 – 3rd or 4th week of May 2014.

14.3 Details of Book Closure For Equity Shareholders: : Friday, 26th July, 2013 to Tuesday 30th July, 2013 (both days inclusive).

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 BSE Ltd., (BSE) and The National Stock Exchange of India Ltd. (NSE).

(ii) Payment of Listing Fee : Listing Fees for the year ended 2013-14 have been paid, within the stipulated time, to BSE 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 BSE 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**

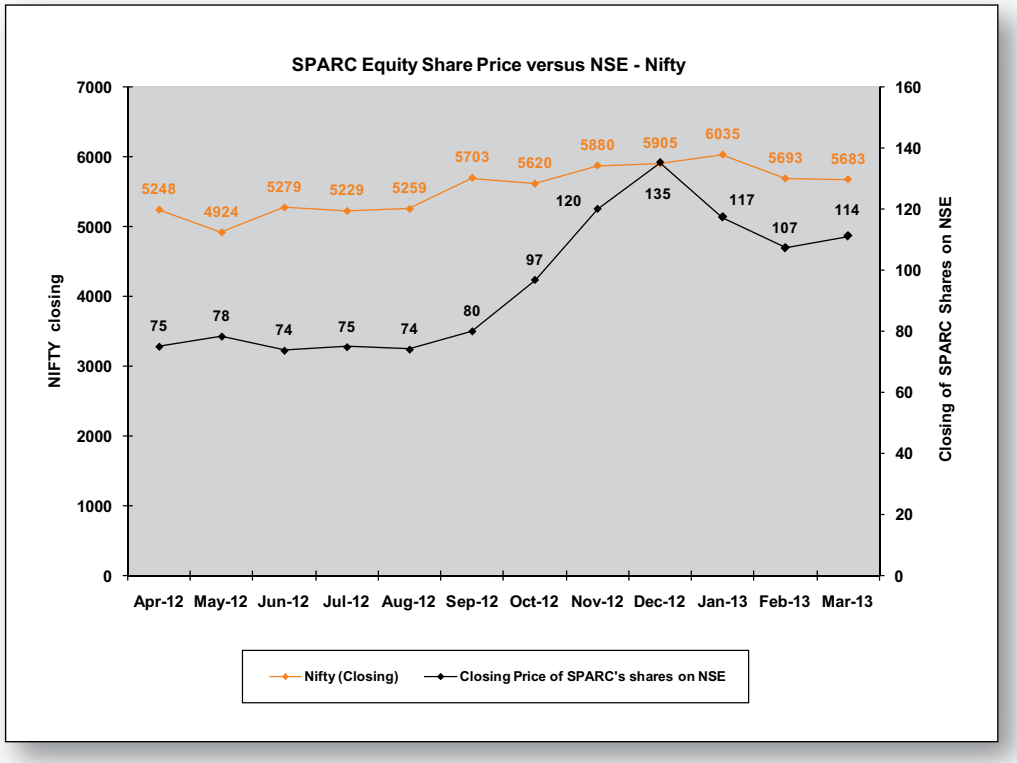
14.7 Stock Market Data

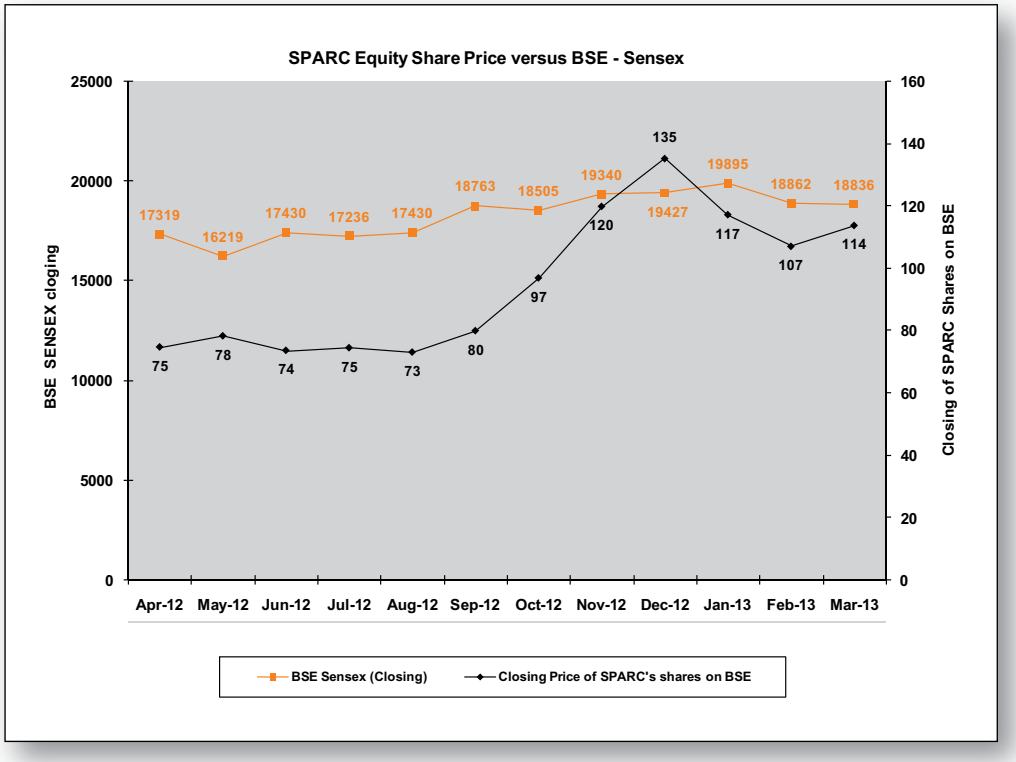
The Equity Shares of the Company are listed on BSE Ltd., (BSE) and National Stock Exchange of India Ltd., (NSE).

Equity Shares of ₹ 1/- each :

	BSE 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 2012	80.80	73.30	81.15	73.10
May 2012	79.50	67.00	79.90	68.00
June 2012	79.95	66.75	80.00	66.60
July 2012	79.30	72.10	79.60	71.30
August 2012	82.35	69.00	82.50	71.30
September 2012	84.90	71.30	85.50	71.00
October 2012	115.35	79.15	116.00	78.75
November 2012	123.70	90.10	123.45	90.00
December 2012	141.35	116.40	141.50	116.60
January 2013	145.80	106.40	145.95	106.20
February 2013	122.85	103.15	122.90	104.00
March 2013	117.65	104.00	117.90	104.05

(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, 2013.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**BSE SENSEX**	**SPARC RELATIVE TO SENSEX**
Year-on-Year	52.31%	8.23%	44.08%
2 Years	57.92%	-3.13%	61.05%
3 Years	14.10%	7.46%	6.64%
5 Years	35.20%	20.40%	14.80%

Share price performance relative to Nifty based on share price on 31st March, 2013.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**NIFTY**	**SPARC RELATIVE TO NIFTY**
Year-on-Year	46.28%	7.31%	38.97%
2 Years	51.56%	-2.59%	54.15%
3 Years	9.64%	8.26%	1.38%
5 Years	30.39%	20.02%	10.37%

(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)

Ms. Sujata Poojary / Ms. Trupti Parab,
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

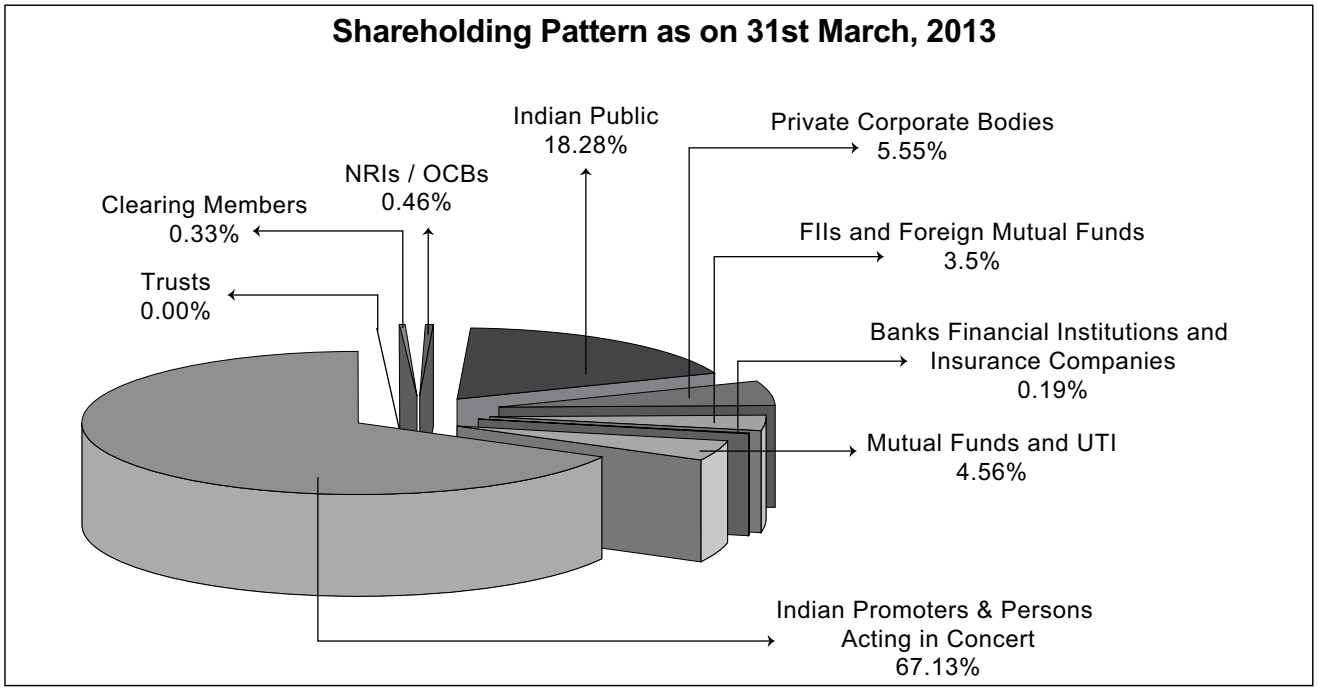
Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects 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 31st March, 2013

No. of Equity Shares held	No. of Accounts		Shares of face value ₹ 1/- each	
	Numbers	% to total accounts	Numbers	% to total shares
Upto 500	50726	83.15	6199610	2.62
501 - 1000	4216	6.91	3295575	1.39
1001 - 2000	3828	6.27	5229382	2.21
2001 - 3000	769	1.26	1955204	0.83
3001 - 4000	278	0.46	994721	0.42
4001 - 5000	252	0.41	1185875	0.50
5001 - 10000	413	0.68	3055780	1.29
10001 and above	526	0.86	214788300	90.74
Total	**61008**	**100**	**236704447**	**100.00**

14.12 Shareholding Pattern as on 31st March, 2013 of Equity Shares as per Clause 35 of the Listing Agreement.

Particulars		Percentage	No. of Shares
A.	Indian Promoters & Persons Acting in Concert	67.13%	158893196
B.	Mutual Funds and UTI	4.56%	10779672
C.	Banks Financial Institutions & Insurance Companies	0.19%	460963
D.	FIIs and Foreign Mutual Funds	3.50%	8279254
E.	Private Corporate Bodies	5.55%	13132332
F.	Indian Public	18.28%	43274254
G.	NRIs / OCBs	0.46%	1099025
H.	Clearing Members	0.33%	781141
I.	Trusts	0.00%	4610
	Total	**100.00%**	**236704447**



14.13 Dematerialisation of Shares

About 99.36% of the Equity shares of the Company have been de-materialised up to 31st March, 2013.

Liquidity:

Your Company's equity shares are fairly liquid and are actively traded on BSE Ltd. (BSE), and National Stock Exchange of India Ltd., (NSE). Relevant data for the **average daily turnover** for the financial year 2012-2013 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	134.470	235.797	370.267
In value terms (₹ Millions)	14.962	26.239	41.201

(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 and any other query relating to the shares of the Company	**For Shares held Physical Form** Ms. Sujata Poojary / Ms. Trupti Parab, 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: VADODARA
Date : 14th May, 2013

Annexure to Corporate Governance For the Year Ended 31st March, 2013

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: 14th May, 2013

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 31st March, 2013, 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)

VADODARA, 14th May, 2013

Notes

Sun Pharma Advanced Research Company Ltd.

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

FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1	Name of the Company	Sun Pharma Advanced Research Company Limited
2	Annual Standalone Financial statements for the year ended	1st April, 2012 to 31st March, 2013.
3	Type of Audit observation	Un-Qualified
4	Frequency of observation	NA
5	To be signed by-	**For Sun Pharma Advanced Reseach Company Ltd,**
	• CEO/ Managing Director	**Mr. Dilip S. Shanghvi** (Chairman cum Managing Director)
	• CFO	**Mr. Sudhir V. Valia** (Director)
	• Audit Committee Chairman	**Mr. S. M Dadha** (Chairman of Audit Committee)
	• Auditor of the Company In terms of our report attached on the standalone financial statements of the Company For **DELOITTE HASKINS & SELLS** Chartered Accountants (Firm Registration No. 117366W) Rajesh K Hiranandani Partner (Membership No. 36920) **VADODARA**, 14th May, 2013	