

SUN PHARMA
ADVANCED RESEARCH
COMPANY LTD.



Making Life Better



Annual Report 2014-15

Science that makes life better. That's what the team at SPARC has been busy with. Putting the latest Science and Delivery Technologies to work, pushing Standards of Care in therapeutic areas of focus. Seeking solutions for unmet or inadequately-met patient needs. Like an anticancer drug that targets tumor cells. Or a glaucoma medicine that needs to be instilled only once a day. Or an experimental treatment for certain resistant forms of blood cancer. Regardless of the complexity of science that we pursue, our objective is clear—Make Life Better.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Dilip S. Shanghvi

Chairman & Managing Director

Mr. Sudhir V. Valia

Non-Executive Director (up to 31st July, 2014)
Director & CFO (w.e.f. 31st July, 2014)

Dr. T. Rajamannar

Wholetime Director & Executive Vice President R & D
(up to 24th April, 2014)
Non-Executive Director
(w.e.f. 24th April, 2014)

Prof. Dr. Andrea Vasella

Independent Director

Prof. Dr. Goverdhan Mehta

Independent Director

Mr. S. Mohanchand Dadha

Independent Director

Ms. Bhavna G. Doshi

Additional Director (Independent)

CHIEF EXECUTIVE OFFICER

Mr. Anil Raghavan

(w.e.f. 24th April, 2014)

COMPANY SECRETARY

Ms. Meetal Sampat

(up to 6th May, 2015)

Mr. Debashis Dey

(w.e.f. 6th May, 2015)

AUDITORS

Deloitte Haskins & Sells LLP
(Firm's Registration No. 117366W/W-100018)

BANKERS

ICICI Bank Ltd.
IndusInd Bank Ltd.
State Bank of India
Kotak Mahindra Bank Ltd.

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C/13, Kantilal Maganlal Estate,
Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078

Tel: (022) 2594 6970 Fax: (022) 2594 6969
E-mail: sparc@linkintime.co.in,
rnt.helpdesk@linkintime.co.in

REGISTERED OFFICE

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

MUMBAI OFFICE

17-B, Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093.
Tel: (022) 6645 5645
Fax: (022) 6645 5685

www.sunpharma.in
CIN No. L73100GJ2006PLC047837

RESEARCH CENTRES

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

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

907/4, GIDC, Makarpura,
Vadodara - 390 010.

MANAGEMENT DISCUSSION AND ANALYSIS

As SPARC moves closer to the international markets with clinical testing on the anvil for several innovative products—as we'll share later on these pages—we'd like to contextualize the opportunity space SPARC is addressing and considerations governing our priorities going forward.



The Global Pharmaceutical Industry is experiencing a significant turnaround in R&D output and investor interest. We have seen the number of New Chemical Entities and New Biologics gaining marketing authorizations in Western Market Geographies increase significantly in the recent past. This spike in new approvals is driven by a healthy mix of breakthrough science (E.g.: Recent Immuno-Oncology approvals) and incremental innovation in the form of follow-on targeted therapies or improvements in Drug Delivery mechanisms. A positive outlook on the quality and quantum of innovation is also driving investor confidence in the sector to new highs as evidenced by the extraordinary buoyancy in Bio-pharma funding. We believe the following factors contribute to this change in outlook.

- ▶ Increasing adoption of cutting-edge science
- ▶ Long-term demographic tailwinds
- ▶ Maturing Emerging Markets demand as a source of incremental growth
- ▶ Progressive regulatory leadership
- ▶ Structural changes in major healthcare systems

India is also entering a very exciting phase in its evolution as a credible Bio Pharmaceutical innovator. In addition to the progress SPARC has made in the recent past, we have noticed with great interest growing quality of work coming out of smaller start-ups and academic innovators from India. While this is still insignificant and negligible by western standards, we see them as promising green shoots heralding a new future for our industry

and the beginning of realizing a much longer term, but definitive opportunity for India-based Bio Pharmaceutical innovators.

SPARC is best positioned to lead and benefit from India's emergence as a productive Bio-Pharmaceutical innovation ecosystem. SPARC has managed to build a high quality Infrastructural and Organizational foundation for a globally competitive Innovation business. Our long-term shareholder vision is to emerge as global leader in pharma research, that continuously improves standards of care for patients through innovation in Therapeutics and Delivery, and has driven appropriate focus and investments to put in place such a foundation. Our portfolio today reflects our desire to drive innovation to find original and incremental solutions for patients in Therapeutic Segments of our choice. In the following pages, we provide an overview of our current portfolio and medium-term outlook.

OPERATIONS REVIEW

Your Company earned revenues of ₹ 15,574 lacs, primarily from royalties and milestones for the licensing out of technology, and revenue-linked royalty for products such as Lipodox, which have been licensed out previously.

In line with most R&D companies, revenues, comprising royalty and milestone payments, will depend on projects that are licensed out or brought to market, Revenues will continue to be uneven from quarter to quarter.

Your Company reported a loss of ₹ 3,952 lacs. In the last financial year, your Company augmented its senior management team and

set up additional infrastructure to support the ongoing projects as well as the future pipeline, in the best long-term interests of the business.

In the year ahead, several projects will move from lab to clinical testing that is an essential part of the drug discovery process. As a consequence, your Company expects expenditure on clinical testing to ramp up significantly.

Your Company has also put an extensive risk management plan in place to address the inherent risk that an innovative business of this nature faces.

THE YEAR IN SUMMARY

2014-15 was a landmark year for the SPARC team. Our team was greatly strengthened with the addition of professionals with considerable R&D experience, most of it in international companies. This brings in an irreplaceable 'been-there, done-that' experience to our existing skill base.

Execution was sharpened, with a renewed focus on operational excellence. Requisite capabilities were added in Computer-aided

drug design (CADD), Discovery Biology and Program Management.

Our Scientific Advisory Panels were strengthened with experts, some of them the most renowned names in their fields. Many processes including operational review mechanisms were streamlined, and the process of bringing new ideas to the table via a formal ideation process enthusiastically implemented.

A fresh look was taken at the existing projects, and these were evaluated against several parameters including changed market environment, regulatory expectations, investments required, intellectual property protection available, and the likely or changed commercial opportunity. Several projects were fast-tracked so as to make the most of the opportunity window. Some projects were duly repositioned for emerging markets and India. A few projects were earmarked to be discontinued, as is the practice with research companies of this kind.

The net result of this prioritization was a sharply focused portfolio of key research assets in defined therapy areas. We have worked to create a mix of short, medium and long-term assets, with different risk-reward profiles.

We will now discuss the work we've done in each of these therapy areas over the course of the year.

Ophthalmology:

- A. NTC Technology (new)
- B. BAK-free SMM Technology (Xelpros®)

Oncology:

- A. Nanotecton™ Technology- PICN
- B. Sun-K 706 Tyrosine Kinase inhibitor

CNS:

- A. Abuse Deterrent Technology (new)
- B. Wrap Matrix Technology (Elepsia XR®)
- C. Baclofen GRS

Respiratory:

- A. Salmeterol – Fluticasone DPI

Dermatology:

- A. Sun-597 topical
- B. Minocycline topical

Pain Management:

- A. Tizanidine ER

We have identified our key therapeutic areas as:

ONCOLOGY

DERMATOLOGY

OPHTHALMOLOGY

CNS

(FORMULATION INNOVATION PROJECTS ONLY).

RESPIRATORY

1. OPHTHALMOLOGY

SMM TECHNOLOGY-XELPROS®

Glaucoma is caused due to progressive injury to the nerve cells in the eye that are responsible for vision. This nerve damage is believed to have been caused by increased pressure in the eye - technically called elevated intraocular pressure (IOP). If not adequately treated, glaucoma can lead to blindness.

About 2.2 million patients are estimated to be diagnosed with glaucoma annually in the US; and the number of patients is estimated to reach 3 million by 2020, of this 74 % are estimated to have Open Angle Glaucoma (OAG). Over half of OAG patients show concurrent ocular surface disease (OSD).

Prostaglandin analogs like Latanoprost are the first line of treatment for glaucoma. Market estimates place Latanoprost usage at as high as 55% of the US glaucoma market.

Currently marketed Latanoprost eyedrops contain a preservative called Benzylalkonium Chloride (BAK). The relationship between BAK use and its negative effect on eye health on chronic use is well established. Currently, artificial tears/lubricating eye drops are regularly co-prescribed to address this issue.

Building on the drawbacks with marketed BAK-containing Latanoprost eyedrops, the team at SPARC had developed BAK-free Latanoprost using our proprietary Swollen

Micelle Microemulsion technology (SMM), as we had informed you earlier.

After an extensive Phase 3 program, an NDA was filed with the USFDA for SPARC's Latanoprost BAK-free eye drops. SPARC has since named the product Xelpros®, and received a Complete Response Letter (CRL) from the USFDA on its filing.

The USFDA did not seek any additional clinical or preclinical information; however, they asked for certain clarifications and labeling changes for Xelpros®, a change from ophthalmic solution to ophthalmic emulsion, for instance. SPARC has since addressed these requirements on priority and has submitted a response to the USFDA. This means, we are back in the regulatory queue.

SPARC initiated the first steps of commercializing Xelpros® - SPARC signed a licensing deal with a Sun Pharma subsidiary for the US market for Xelpros®. Under this deal, SPARC has received \$3 million as an up-front and will receive certain other milestone payments both totaling to \$16 million. Additionally, SPARC is also eligible for certain defined royalties and milestone payments, both linked to the actual sales performance. This deal sets the stage for successful commercialization of SPARC's innovation in the US market.

NANO TEMPLATE CLUSTER TECHNOLOGY - BRIMONIDINE OD

SPARC is also developing a second line treatment for glaucoma. There is substantial need for second line therapy because there are recognized intolerance and non-respondent issues with first line drugs. Brimonidine is one of the most commonly used second line drugs for glaucoma. Brimonidine decreases synthesis of aqueous humor and increases drainage from the eye. It has to be administered thrice a day. IMS estimates market size for Brimonidine Ophthalmic Solution to be ~ US\$ 500 million,

with about 3.5 million prescriptions filled annually in the US. Brimonidine is a highly successful drug, but with patient compliance issues.

Several studies investigated the level of inconvenience to glaucoma patients on twice-daily and thrice-daily regimens. These studies concluded that multiple dose regimens are inconvenient, lead to poor compliance and subsequent suboptimal pharmacological effect in about two-third patients.

This reiterates the medical need for once-a-day Brimonidine.

SPARC has developed Nano Template Cluster Technology (NTC Technology) to enhance topical delivery into ocular tissue. Tears protect the eye; eyes are also protected from fine suspended air particulate extraneous matter and cell debris by a mucus layer on the eye surface. Both of these are natural defensive eye cleaning mechanisms that present a barrier for drug delivery.

The NTC technology uses these natural barriers to enhance drug delivery. In SPARC's NTC Technology, Nano Particulate Templates are used to adsorb water soluble drugs, and then formulated as micro clusters in a bio-adhesive vehicle. As the eye blinks, blink shear breaks these soft clusters and smears them on to the ocular surface pushing drug-loaded nanoparticles inside the mucus. Like dust and unwanted debris, drug-loaded nanoparticles too are effectively trapped by sticky mucus constituents of the eye, thereby ensuring they are retained in a peri-ocular region. At the same time, the salt in tears triggers drug release, thus improving absorption and providing optimal benefit.

SPARC's NTC technology-based Brimonidine Eye Drops demonstrated enhanced efficacy and pharmacokinetics in animal models. In animal models, intraocular pressure (IOP) reducing effect with Brimonidine once-a-day eye drop was much improved compared to Alphagan® administered thrice a day.

Significant IOP reduction was obtained over 24 hours, ensuring once-a-day efficacy from NTC Brimonidine. In animal models, ocular tissue exposure of Brimonidine in both anterior as well as posterior chambers of the eye were improved. The high drug exposure in the anterior chamber is responsible for providing IOP reduction, while improved exposure in the posterior chamber may offer neuroprotection.

NTC technology can also be tailored for multiple ophthalmic drug classes. A patent has been filed for this technology. SPARC met USFDA last year to understand the path forward on CMC preclinical and clinical requirements for this NTC Brimonidine once-a-day program. SPARC plans to file IND in Q4 of FY16.

2. ONCOLOGY

PICN

Paclitaxel Injection Concentrate for Nanodispersion (PICN) is SPARC's flagship NDDS project. Marketing approval was received for PICN for India. PICN will be launched in India in FY16.

Paclitaxel is a standard of care treatment for several solid tumors. Paclitaxel sales and number of doses administered have been increasing over time. Approx 70% of volume sales of Paclitaxel still comes from Cremophor-bound Paclitaxel formulations.

PICN uses SPARC's proprietary Nanotecton technology. Unlike marketed products, PICN is a Cremophor and albumin-free formulation with the advantage of a very simple infusion method. This Cremophor has been largely responsible for most of the hypersensitivity

reactions associated with Paclitaxel. Use of albumin to deliver Paclitaxel by nab-Paclitaxel or Abraxane®, for example, have been associated with the potential to transmit infectious agents, including prion-based diseases. So, removal of these two components from the formulation might represent an important advantage. In addition, the infusion time that is required for PICN is 30 minutes and this compares very favorably to the 1-3 hours required for Paclitaxel. Because of the removal of Cremophor, there is no requirement for pre-medications for hypersensitivity, and the lack of side-effects may allow for higher dosing compared to Paclitaxel.

PICN reached several milestones this year. SPARC received promising results from our pilot bioequivalence (BE) study comparing PICN with Albumin-bound Paclitaxel. SPARC also completed end of Phase-2 consultation with the FDA and sign off on Phase-3 protocol for metastatic breast cancer. SPARC also received promising data on Cholangiocarcinoma in the second line setting for PICN.

Data from initial pharmacokinetic (PK) studies seems to indicate that demonstrating bioequivalence between nab-Paclitaxel and PICN and could be a reasonable path to approval. We are in the midst of confirming these initial

PK findings, and intend to perform a pivotal bioequivalence study towards the end of this financial year if the pilot BE data from additional patients provides confidence of meeting BE.

PICN in Cholangiocarcinoma:

SPARC performed a study of PICN in Cholangiocarcinoma patients who had been previously treated with one or more line of chemotherapy. A response rate of nearly 20% was observed. In this indication, significant activity has generally been seen with combination regimens. The results we have observed here are very encouraging and we are in the process of discussing paths to approval for this indication with US and other regulatory authorities.

PICN Breast Cancer Program:

SPARC has completed end of Phase-2 CMC discussions with the FDA and has received concurrence on the Phase-3 protocol. Current plans are to initiate the study towards the end of this financial year.

Extensive market research studies have been performed, and these indicate that PICN has excellent appeal with doctors and payors in two scenarios--with the same efficacy and safety as nab-Palitaxel; as well as a scenario with the same efficacy but a significant safety advantage.

Overall Impression of PICN

- All Physicians -



■ Unappealing (1-3) ■ Neither Appealing nor Unappealing ■ Appealing (5-7)

(Source: # Primary Market Research conducted through 3rd party)

2 B LEUKEMIA PROGRAM - TYROSINE KINASE INHIBITOR SUN-K706

Sun-K706 is a novel tyrosine kinase inhibitor (TKI) being developed for the treatment of the most resistant form of Chronic Myelogenous Leukemia (CML), a type of blood cancer.

In more than 90% cases, CML is caused by chromosomal abnormality resulting in the formation of the so-called Philadelphia chromosome. This abnormality was discovered by Janet Rowley in 1972 and is due to fusion between Abelson (Abl) tyrosine kinase gene at chromosome 9, and break point cluster (Bcr) gene at chromosome 22, resulting in the chimeric oncogene Bcr-Abl and a constitutively active Bcr-Abl tyrosine kinase that has been implicated in the pathogenesis of CML.

Imatinib is an inhibitor of the native or wild type Bcr-Abl oncogene, and is used as first line therapy in the treatment of CML. In spite of its efficacy against newly diagnosed CML, resistance to Imatinib treatment develops gradually. This resistance, attributed to various mutations in the kinase domain of Bcr-Abl Oncogene, eventually render Imatinib ineffective.

Three additional TKIs have been introduced - Nilotinib, Dasatinib and Bosutinib. These have shown different degrees of activity against various mutant forms of Bcr-Abl. However, none of these TKIs is effective against the T315I mutant of Bcr-Abl.

Ponatinib, a multi-kinase inhibitor with efficacy against Bcr-Abl and all of its mutant forms including T315I, has also been registered as a third line treatment option in the treatment of

CML. However, its clinical use is limited largely because of the off-target toxicities such as arterial thrombosis (life-threatening blood clots) that can be fatal.

Our NCE Sun-K706, a selective Bcr-Abl Tyrosine Kinase Inhibitor especially targets patients who are resistant or intolerant to other currently available TKI therapies such as Imatinib.

What differentiates Sun-K706 from Ponatinib, is the lack of ability of Sun-K706 to inhibit VEGFR2. This VEGFR2 inhibition is thought to be responsible in a large part for the arterial thrombosis associated with Ponatinib. Hence, Sun-K706 may not exhibit safety concerns often associated with Ponatinib treatment.

Sun-K706 is a potent inhibitor of in vitro growth of not only human leukemic cells expressing Bcr-Abl such as K562, but also their Imatinib-resistant form. This growth inhibition by Sun-K706 is not observed with myeloid and other cell lines that do not express Bcr-Abl Oncogene.

Sun-K706 is an orally bio-available molecule and when administered orally has shown consistent systemic exposure in different species. SPARC has conducted extensive in vitro analysis of anti-tumor efficacy of Sun-K706 against human CML xenografts established in immunocompromised mice. Sun-K706 has exhibited potent inhibition of growth of xenografts of human leukemic cell lines expressing not only wild type or native Bcr-Abl, but also those expressing T315I mutant, against which most of the current first line TKIs are ineffective.

SPARC has generated the necessary preclinical proof-of-concept for supporting clinical evaluation of Sun-K706 as potentially, a second line treatment option for Imatinib-refractory CML.

An optimized formulation of Sun-K706 has been developed for clinical studies. SPARC has also conducted Safety Pharmacology

and Toxicology assessment of Sun-K706 in rats and dogs. There was no evidence of any adverse effect at multiples of efficacious doses of Sun-K706. Efficacy, safety and toxicology studies of Sun-K706 required for an IND have been completed, and SPARC intends to file IND with the US FDA by Q3FY16.

SPARC is excited by the opportunity that Sun-K706 represents as an effective and safe, orally-active pan Bcr-Abl Tyrosine Kinase Inhibitor and a potential treatment option for use in CML.

3. CNS PROGRAMS

- A. Wrap Matrix-based project:
Levetiracetam ER once-daily for
epilepsy**
- B. GRID-based project:
Baclofen GRS for spasticity**
- C. Abuse Deterrent Technologies to
prevent drug abuse**

WRAP MATRIX

To refresh from last year - SPARC's Wrap Matrix oral delivery system offers a once-a-day formulation of a drug that would otherwise need to be taken several times a day. This technology is advantageous specifically for drugs which require very high daily dose.

We had also shared that SPARC had identified pill burden (number of pills that have to be taken at the same time) as a major issue for epilepsy patients. More than 55% epileptic patients have to take more than 6-tablets a day.

Levetiracetam is a very popular and very effective anti-epileptic drug typically taken in conjunction with other mainstream anti-epilepsy drugs. Levetiracetam requires a very high dose, so patients who are on Levetiracetam need to take 1000 mg to 3000 mg per day. Hence, multiple Levetiracetam tablets need

to be taken in addition to existing mainstream treatment for epilepsy. Currently marketed extended formulations were only up to 750 mg strength and hence not able to address the issue of pill burden resulting from high dose requirement of Levetiracetam.

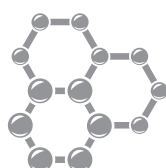
This prompted SPARC to develop antiepileptic Levetiracetam wrap matrix tablets, 1000 mg and 1500 mg and file an NDA with the USFDA.

Elepsia XR® - this is SPARC's brand name for Levetiracetam wrap matrix tablets.

SPARC received USFDA approval for Elepsia XR® in March 2015 - this was the first NDA approval for SPARC.

We believe there is a significant opportunity to market Elepsia XR® at a substantial premium to the currently-priced generic products. Also Elepsia XR® is protected by several delivery technology and compact formulation specific patents.

SPARC is working aggressively on licensing and commercialization opportunities for Elepsia XR®, and has held discussions with several potential partners. SPARC expects to commercialize Elepsia XR® in the US by the second half of 2015-16.



GRID System Products

Baclofen GRS

In the US, nearly half a million patients suffer from spasticity. Baclofen is the gold standard of spasticity treatment, but it has to be taken often, and in high doses, which is cumbersome for the patient struggling with muscle tone and coordination.

Baclofen is still a fast growing drug in the US - in the last 5 years, Baclofen prescriptions have doubled. Over 700 million units are sold, of which 34% originate from spasticity-related neurological indications.

To quickly sum up, before beginning Baclofen development, we'd completed a market access study with key opinion leaders (KOL) and payors, which concluded that a controlled release form that reduced the frequency of drug administration would have prescriber support. Such a medication would also earn a premium over generics.

Baclofen GRS, a spasticity treatment, is based on SPARC's innovative Gastro Retentive Innovative Device (GRID) technology platform. Drugs that are absorbed only from the stomach or the upper GI can be retained for longer in the stomach using this delivery system.

Since the dose for spasticity is typically titrated depending on the patient and presenting symptoms, Baclofen GRS has been developed in multiple strengths ranging from 10 mg to 60 mg. This product and technology are protected by a portfolio of patents, with the last patent set to expire in 2027.

Baclofen GRS is currently in Phase-3 clinical trials in the US. Till date, 128 patients of the targeted 240 have been enrolled in the study.

To accelerate the recruitment in this Phase-3 efficacy study, SPARC intends to add additional 25 sites. Two more studies - safety study and efficacy study - are on schedule. SPARC expects to file an NDA in 2017.

ABUSE DETERRENT TECHNOLOGIES (ADF)

Abuse Deterrent Technologies have been a significant area of recent focus for SPARC - this is a substantial societal problem, now assuming almost catastrophic proportions, especially in the US where abuse-related deaths and emergency room visits are escalating.

SPARC has developed a platform technology to formulate Opioids such as Morphine, Oxycodone, Hydrocodone in a dosage form that is difficult to extract from or abuse.

Opioids are potent analgesics but they also cause euphoria and a feeling of high, which is why they are subject to prescription misuse as well as abuse by general population leading to social concerns. In higher doses, Opioids can cause life-threatening side-effects like respiratory depression which may be fatal. Opioid dosage forms are abused by several routes including oral, nasal and injection. Abusers try to manipulate the formulation by crushing and extraction to obtain the drug in a concentrated form. In 2011, Opioid abuse resulted in about 348,000 emergency department visits and several deaths in the US.

Abuse Deterrent Formulations are those which resist the abuser's attempts to manipulate them. The USFDA considers the development of Abuse Deterrent Formulation a high public health priority.

A substantial commercial opportunity exists for Abuse Deterrent Formulations. SPARC has initiated the development of technology platform and filed patent applications to protect its intellectual property. SPARC has also completed a pre-IND meeting with the USFDA to understand the pathway for product development. SPARC will use this technology platform for developing multiple opioid products.

4. RESPIRATORY - DRY POWDER INHALER

SPARC's DPI is a pre-metered, 60 dose, inhalation activated device to administer an inhaled combination of steroid and bronchodilator. Salmeterol and Fluticasone DPI has already been approved and launched in India.

This user-friendly device offers uniform delivery of dose, independent of inspiratory flow rate. It consistently delivers higher amount of drug to lungs. It eliminates double dosing and dose wastage. It provides different feedback, such as audio, visual, and tactile upon dose administration. Besides, the device offers a glow-in-the-dark feature for easy night-time use. Another salient feature of the device is assistance for the visually impaired - a reminder to refill the device when 8 doses are remaining. SPARC's device is small, convenient and easy-to-use and it is compliant with the stringent US FDA and European requirements.

With the device, delivered dose is largely independent of the patient's inspiratory flow rate. Since this device delivers more drug to the target lung tissue, lower amounts of drug need to be used.

Early PK data had showed that on administering half the dose of the steroid-brochodilator combination with the SPARC inhaler as compared to the dose required by Seretide Accuhaler®, similar levels of Fluticasone plasma levels were obtained.

SPARC had meetings with three EU regulatory agencies and received similar advice from each agency. SPARC is targeting completion of the clinical program in 2017-2018.

SPARC also conducted primary market research on how the SPARC DPI would be viewed compared to Seretide Accuhaler® in five major EU markets. Respondents consistently viewed the characteristics of the SPARC DPI device favorably compared with the Seretide Accuhaler®.

SPARC also conducted pricing research. In this study, physicians and payors were asked about the value of the product according to various prices that could be charged. Payors and physicians differed somewhat in their assessments; payors felt that a slight discount to Accuhaler® would be warranted, whereas physicians felt that a slight premium to Accuhaler® would be reasonable. It does seem likely that SPARC could receive a middle ground on price parity to the Accuhaler® price.

5. DERMATOLOGY

Sun-597 Topical

SUN-597 is a soft steroid being developed for dermal applications such as psoriasis - a severe and chronic dermal inflammatory disorder.

Topical corticosteroids are drugs of choice for skin inflammations and these generate over 40 million prescriptions every year in the US. However, in several chronic dermal inflammatory conditions where topical steroids are used over the long term, local side-effects such as skin atrophy invariably occur.

SPARC has developed a topical formulation of its novel soft corticosteroid Sun-597 and tested for efficacy and safety in animal models for dermal inflammation. Sun-597 was quite promising in these animal studies. SUN-597 topical was found to be as effective as currently

marketed potent steroids such as Fluticasone and Clobetasol, but superior to marketed mildly potent and low potent steroids, like Triamcinolone and Hydrocortisone respectively. Interestingly, in terms of local side-effects, Sun-597 topical differentiated from other potent steroids-- it demonstrated low potential for skin atrophy.

Sun-597 has been tested in animal models for psoriasis. In these tests, Sun-597 scored similarly to the marketed potent steroids, Fluticasone and Clobetasol. Moreover, Sun-597 scored significantly better than the low potent and mid potent steroids Hydrocortisone and Triamcinolone.

In the same animal model for psoriasis, we assessed the performance of Sun-597 topical versus the marketed topical steroid for quantifying the level of gene expression in skin for the key inflammatory mediators that are responsible for psoriasis, namely Interleukin-17 and Interleukin-23. Sun-597 inhibits the expression of both these Interleukins at a level similar to the potent marketed steroids Fluticasone and Clobetasol, while the inhibition is much superior to the less potent steroids Hydrocortisone and Triamcinolone.

SPARC has performed the required regulatory toxicological and safety studies on Sun-597, and safety studies indicate minimal skin atrophy with Sun-597. SPARC has completed a pre-IND meeting with the USFDA, and understood that its studies are quite adequate for IND. SPARC plans to file IND in the next quarter, and subsequently begin Phase-I human studies in Q3 of 2015-16.

TOPICAL MINOCYCLINE

Minocycline is the largest selling oral antibiotic in the US for inflammatory acne. However, oral Minocycline has various side-effects like gastrointestinal disturbance, candidiasis and dizziness.

SPARC has formulated a novel topical Minocycline. This formulation is expected to provide better bioavailability at the site of action with greatly reduced systemic exposure. This will possibly lead to a better safety profile.

SPARC has conducted a proof-of-concept preclinical study in which this topical formulation demonstrated efficacy. SPARC's formulation showed statistical significance when compared to untreated control and placebo.

SPARC has filed patents covering this novel composition and plans to file an IND in the US by Q1 2016-17.

TIZANIDINE ER

Tizanidine is a drug used orally in the management of spasticity and pain. Although approved for spasticity, use of Tizanidine in musculoskeletal pain is quite common, and a large number of prescriptions are written in the US for this indication. Commercially available Tizanidine immediate release tablets and capsules have a short half life and hence are required to be taken multiple times in a day. Tizanidine IR is also associated with side-effects, particularly somnolence. Somnolence interferes with day-to-day work like driving or operating heavy machines. This limits the use of Tizanidine IR during day time.

SPARC has formulated an extended release dosage form which will improve patient compliance. This formulation is also expected to offer an improved side-effect profile. SPARC has completed pilot PK studies and a pre-IND meeting with the USFDA for this product, and expects to conduct further Phase-2 studies in 2015-16.

DISCONTINUED PROJECTS

SPARC evaluated its portfolio based on clinical and regulatory planning, primary market research and payor research last year.

SPARC is now considering developing its LTD4 antagonist Sun-L731 for India and emerging markets initially, and we will consider global development subsequently depending on this early development in India.

SPARC has also decided to deprioritize Venlafaxine ER and Latanoprost + Timolol fixed dose combination as it has more clarity on the extensive work needed to negotiate the regulatory process for these programs in the US.

SPARC is also deprioritizing Sun-597 allergy and Sun-597 DPI programs because these do not fit into the therapeutic areas of choice.

The de-selection of Baclofen GRS for alcohol dependence is on account of better understanding of the regulatory opportunity and challenges.

Human Resource Strategy:

The human resource (HR) strategy of the Company is focused on creating a performance-driven environment, where innovation is encouraged, performance is recognized and employees are motivated to realize their potential.

The Management recognizes that HR is the core of the Company, influencing change, building culture and capabilities. The HR processes are continuously evolving and aligning with the changing business requirements.

HR Attraction & Acquisition:

The recruitment strategy of SPARC is focused to create an efficient workforce with diverse culture and thinking across all levels which in turn brings in a competitive advantage for the Company. During the previous financial year, the Company has added 46 new employees to its workforce, out of which 27 were scientists. As on 31st March, 2015, the Company had a dedicated team of about 331 people, of which 275 are highly qualified and experienced scientists.

HR development, engagement and retention:

The Company recognizes the need towards developing human resource competencies. Towards this the Company has put in place effective training and career progression plans for its personnel. Key leadership attributes at different levels of leadership are identified and mapped to specific programs. These competencies are enhanced in potential leaders through well-designed Learning and Development Program for each level of prospective leaders. The Company has put in more than 2000 hours of learning and developmental activities including seminars and conferences – this is in addition to increasing the Company's participation at international conferences for continuous knowledge upgradation.



OUTLOOK

As an R&D company doing innovative work, 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 begun earning from medium-term projects (Wrap matrix based ANDA filings, Liposome drug delivery platform-based Lipodox[®], and more recently DPI)-even as it invests in more complex or longer 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 licensed out or reach market in the long-term.

As we move ahead with our NCE and NDDS projects, we're learning how to deal with increasing levels of complexity, about managing R&D in a demanding and rapidly changing regulatory environment, as well as handling technical demands of innovation. While we're satisfied with our progress on our projects so far, we recognize that we have

quite some distance to go before we reach market. We will maintain a razor sharp focus on executing our key programs while continuing to build competencies required to emerge as a credible, high value Bio Pharmaceutical innovator.

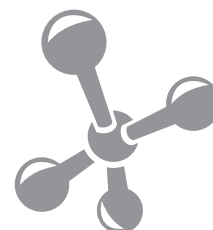
RISKS AND CONCERNS

Drug research is inherently a high risk area, and we've consciously tried to take on manageable risks through our process of project selection, and by simultaneously working on projects with different financial commitments and 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 the regulator may seek additional tests or information that was not initially anticipated. The expensive human trials may have negative outcome resulting in project dropout or reprioritization or significant delay in approval

timelines. 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 therapeutic alternative might limit the potential for our NCE leads or NDDS platforms.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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



SPARC R&D Pipeline



DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors take pleasure in presenting the Tenth Annual Report and Audited Accounts for the year ended 31st March, 2015.

FINANCIAL RESULT

Particulars	(Rs. in Lakhs)	
	Year ended 31st March, 2015	Year ended 31st March, 2014
Total Income	15,877.15	17,703.27
Profit/(Loss) before Depreciation & Tax	(3,228.04)	3,789.65
Depreciation	723.96	357.23
Profit/(Loss) before Tax	(3,952.00)	3,432.42
Tax Expense	-	400.00
Profit/(Loss) after Tax	(3,952.00)	3,032.42
Balance brought forward from Previous Year	(11,346.73)	(14,379.15)
Balance carried to Balance Sheet	(15,298.73)	(11,346.73)

DIVIDEND

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

EXTRACT OF ANNUAL RETURN:

The extract of Annual Return as provided under sub-section (3) of section 92 of the Companies Act, 2013 ('the Act') in prescribed form MGT-9 is enclosed as Annexure "A" to this report.

SUBSIDIARY/ JOINT VENTURE/ ASSOCIATE COMPANY

The Company does not have any subsidiary, joint venture or associate company.

DIRECTORS & KEY MANAGERIAL PERSONNEL

Dr. T. Rajamannar ceased to be the Whole-time Director of the Company effective April 24, 2014 and is now a Non- Executive Director of the Company, with effect from April 24, 2014.

Mr. Sudhir V. Valia having DIN:00005561, retires by rotation at the ensuing Annual General Meeting, and being eligible offers himself for re-appointment.

Ms. Bhavna Doshi having DIN: 00400508, was appointed as an Additional Independent Director of the Company, to hold office upto the Annual General Meeting of the Company in terms of section 161 of the Companies Act, 2013 read with article 149 of the Articles of Association of the Company.

It is proposed to appoint Ms. Doshi as an Independent Director of the Company for a term of upto five years in terms of section 149, 152 & other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, at the ensuing Annual General Meeting of the Company.

During the year, Mr. Sudhir V Valia was appointed as the Chief Financial Officer (CFO) under section 203 of the Companies Act, 2013 and consequentially a Whole-time Director of the Company to hold office from 31st July 2014 to 31st December 2015 without any remuneration. A proposal for the members' approval for appointment of Mr. Sudhir V Valia as the CFO and consequentially a Whole-time Director of the Company is being placed at the ensuing Annual General Meeting.

With effect from 6th May 2015, Ms. Meetal S Sampat ceases to be the Company Secretary & Compliance Officer of the Company and Mr. Debashis Dey has been appointed in her place.

Appropriate resolutions for the appointment/re-appointment of Directors are being placed for your approval at the ensuing Annual General Meeting.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION

For the purpose of selection of any Director, the Nomination & Remuneration Committee identifies persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and also takes into consideration recommendation, if any, received from any member of the Board. The Committee also ensures that the incumbent fulfills such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection, appointment and remuneration of Directors & Senior Management.

The Remuneration Policy of the Company is disclosed in the Corporate Governance Report, which forms a part of this Report.

FAMILIARISATION PROGRAMME FOR THE INDEPENDENT DIRECTORS

In compliance with the requirements of the clause 49 of the Listing Agreement, the Company has put in place a Familiarisation Programme for the Independent directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model etc. The details of such programme is available on the website of the company www.sunpharma.in and may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>.

NUMBER OF MEETINGS OF THE BOARD

The Board of Directors of the Company and the Committees thereof met four times during the previous financial year on 3rd May, 2014, 31st July, 2014, 31st October, 2014 and 30th January, 2015. The particulars of attendance of the Directors at the said meetings are detailed in the Corporate Governance Report of the Company, which forms a part of this Report. The intervening gap

DIRECTORS' REPORT

between the Meetings was within the period prescribed under the Companies Act, 2013

EVALUATION OF PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Board of Directors have carried out an annual evaluation of its own performance, its various committees and individual directors pursuant to the provisions of the Act and the Corporate Governance requirements as prescribed under clause 49 of the Listing Agreement.

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of various criteria such as Board Composition, process, dynamics, quality of deliberations, strategic discussions, effective reviews, committee participation, governance reviews etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of criteria such as Committee composition, process, dynamics, deliberation, strategic discussions, effective reviews etc.

The Board and the Nomination and Remuneration Committee reviewed the performance of the individual directors on the basis of the criteria such as Transparency, Analytical Capabilities, Performance, Leadership, Ethics and ability to take balanced decisions regarding stakeholders.

In a separate meeting of independent directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated, taking into account the views of the executive directors and non-executive directors. The same was discussed in the board meeting that followed the meeting of independent directors, at which the performance of the Board, its committee and individual Directors was also discussed.

HUMAN RESOURCES

Our Company has a dedicated team of about 331 people, of which 275 are highly qualified and experienced scientists. In the last year, we considerably strengthened our team by attracting top quality scientific talent, with years of experience in drug research internationally.

In addition to increasing our participation at international conferences for continuous knowledge upgradation, we have also put in place effective training and career progression plans for our team. We have put in more than 2000 hours of learning and developmental activities including seminars and conferences.

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

Information as per Section 197 (12) of the Companies Act, 2013, read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is provided in a separate annexure forming part of this report. Further, pursuant to the proviso to section 136 (1) of the Companies Act, 2013, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of section 136 of the Act, the

said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at Mumbai office or Registered office address of the Company.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company strongly believes in providing a safe and harassment free workplace for each and every individual working for the Company through various interventions and practices. It is the continuous endeavor of the Management of the Company to create and provide an environment to all its employees that is free from discrimination and harassment including sexual harassment.

During the year ended 31 March 2015, no complaints pertaining to sexual harassment was received by the Company.

AUDITORS

Statutory Auditors

The Company's Auditors, Messrs. Deloitte Haskins & Sells LLP, Chartered Accountants, Mumbai (Firm's Regn No. 117366W/W-100018), were appointed as the Statutory Auditors of the Company for a period of three years, upto the conclusion of the 12th Annual General Meeting of the Company, subject to ratification by members at every Annual General Meeting of the Company. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for reappointment as Auditors of the Company. As required under Clause 49 of the Listing Agreement, the auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Messrs C J Goswami & Associates, Company Secretaries, Mumbai to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is annexed herewith as "Annexure B".

The Audit Report and the Secretarial Audit Report for the financial year 2014-15 does not contain any qualification, reservation or adverse remarks by the Auditors.

LOANS, GUARANTEES & INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

RELATED PARTY TRANSACTIONS

The policy on Related Party Transactions as approved by the Board is available on the website of the company www.sunpharma.in and may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>.

All contracts/arrangements entered by the Company during the previous financial year with the related parties were in the Ordinary

DIRECTORS' REPORT

Course of business and on arm's length basis. During the previous financial year the Company did not enter into any new contract/arrangement with the related parties which could be considered material in accordance with the policy of the company/Listing Agreement.

Appropriate resolutions for the approval for entering into transactions pursuant to material contract with certain related parties which were entered into by the company prior to the previous financial year, transactions pursuant to which is likely to continue beyond 31st March, 2015 are being placed for your approval at the ensuing Annual General Meeting.

AUDIT COMMITTEE COMPOSITION

The details pertaining to composition of Audit Committee are included in the Corporate Governance Report which forms a part of this Report.

RISK MANAGEMENT

The Board of Directors have developed & implemented a robust risk management policy which identifies the key elements of risks that threatens the existence of the Company. The Audit Committee reviews the status of key risks and steps taken by the Company to mitigate such risks at regular intervals.

INTERNAL FINANCIAL CONTROLS

The Company has in place a well defined organizational structure and adequate internal controls for efficient operations which 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 in the financial statements. The company continually upgrades these systems. The internal control system is supplemented by extensive internal audits, conducted by independent firms of chartered accountants.

CORPORATE SOCIAL RESPONSIBILITY

In compliance with the requirements of section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014, the Board of Directors have constituted a Corporate Social Responsibility Committee. The details of membership of the Committee & the meetings held are detailed in the Corporate Governance section of the Annual Report.

The contents of the CSR Policy of the Company as approved by the Board on the recommendation of the Corporate Social Responsibility Committee is available on the website of the company www.sunpharma.in and may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>

The CSR policy of Sun Pharma Advanced Research Company Limited encompasses the Company's philosophy towards Corporate Social Responsibility and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.

Pursuant to the policy, the Company may take up activities such as healthcare including preventive healthcare, education & livelihood

for women, children and elderly, environment protection, water management to increase the availability of clean drinkable water and other activities like disaster relief etc. as a part of its CSR activities. The Company may conduct a pilot for each of the selected programs, identify issues, if any and address them before scaling up to the desired level. Most of the CSR activities of the Company aim to improve the lives of the local community and the Company shall strive to be responsive to the needs expressed by the community, either explicitly or otherwise.

Since the average net profits of the company made during the three immediately preceding financial years was negative, the Company was not required to spend any money on CSR activities during the previous year.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the Public during the year under review, under the provisions of the Companies Act, 2013 and the rules framed thereunder.

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis on the operations of the Company as prescribed under clause 49 of the listing agreement 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 as a separate section and forms a part of this report.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure C".

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

No significant or material Orders were passed by the Regulators or Courts or Tribunals during the previous year which may impact the Going Concern Status of the Company's Operation in the future.

WHISTLE BLOWER POLICY/ VIGIL MECHANISM

To create enduring value for all stakeholders and ensure the highest level of honesty, integrity and ethical behaviour in all its operations, the company has formulated a Vigil Mechanism named as 'SPARC Whistle Blower Policy' in addition to the existing code of conduct that governs the actions of its employees. This Whistleblower Policy aspires to encourage all employees to report suspected or actual occurrence(s) of illegal, unethical or inappropriate events (behaviors or practices) that affect Company's interest / image.

DIRECTORS' REPORT

A copy of the Policy is available on the website of the Company and may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 134(5) read with section 134(3) (c) of the Companies Act, 2013, with respect to Directors Responsibility Statement, it is hereby confirmed that:

- a) in the preparation of the annual accounts for the financial year ended 31st March 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2015 and of the loss of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) the Directors have prepared the annual accounts on a going concern basis; and
- e) the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENTS

Your Directors wish to thank all stakeholders and business partners, 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

Dilip S. Shanghvi
Chairman & Managing Director

Place: Mumbai
Date : May 5, 2015

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

FORM MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended 31.03.2015

Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014

I. REGISTRATION AND OTHER DETAILS:

i)	CIN:	L73100GJ2006PLC047837
ii)	Registration date:	1st March 2006
iii)	Name of the Company:	Sun Pharma Advanced Research Company Limited
iv)	Category/ Sub-category of the Company:	Company Limited by Shares
v)	Address of the Registered Office and Contact details:	Akota Road, Akota, Vadodara 390020, Gujarat
		Contact no: 0265 2330815
vi)	Whether listed company:	Yes
vii)	Name , Address , and Contact details of Registrar and Transfer Agent:	Link Intime India Pvt. Ltd. C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai- 400078

II. PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company:

Sr.no	Name and Description of main products/services	NIC code of the Product/ Service	% to total turnover of the Company
1	Research and experimental development services in pharmacy	99811303	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr.No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
	NIL				

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

IV SHARE HOLDING PATTERN (Equity Share Breakup as percentage of total Equity)

i) Category-wise shareholding

	Category of Shareholders	No. of Shares held at the beginning of the year (1st April 2014)				No. of Shares held at the end of the year (31st March 2015)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A	Promoter*									
1)	Indian									
a)	Individual/HUF	35470143	0	35470143	14.98%	35470143	0	35470143	14.98%	0.00%
b)	Central Government/ State Government	0	0	0	0.00%	0	0	0	0.00%	0.00%
c)	Bodies Corporate	123274062	1200	123275262	52.08%	123274062	1200	123275262	52.08%	0.00%
d)	Financial Institutions/ Bank	0	0	0	0.00%	0	0	0	0.00%	0.00%
e)	Any other (Trusts)	147791	0	147791	0.06%	147791	0	147791	0.06%	0.00%
Sub total (A) (1)		158891996	1200	158893196	67.13%	158891996	1200	158893196	67.13%	0.00%
2)	Foreign									
a)	Individuals (NRIs)	0	0	0	0.00%	0	0	0	0.00%	0.00%
b)	Other Individuals	0	0	0	0.00%	0	0	0	0.00%	0.00%
c)	Bodies Corporate	0	0	0	0.00%	0	0	0	0.00%	0.00%
d)	Financial Institutions/ Bank	0	0	0	0.00%	0	0	0	0.00%	0.00%
e)	Any other	0	0	0	0.00%	0	0	0	0.00%	0.00%
Sub total (A) (2)		0	0	0	0.00%	0	0	0	0.00%	0.00%
Total shareholding of Promoter & Promoter group (A)=(A)(1)+(A)(2)		158891996	1200	158893196	67.13%	158891996	1200	158893196	67.13%	0.00%
B	Public Shareholding									
1)	Institutions									
a)	Mutual Funds	3480707	249244	3729951	1.58%	2230381	249244	2479625	1.05%	(0.53%)
b)	Financial Institutions/ Bank	149083	284	149367	0.06%	163798	284	164082	0.07%	0.01%
c)	Central Government/ State Government	0	0	0	0.00%	0	0	0	0.00%	0.00%
d)	Venture Capital Funds	0	0	0	0.00%	0	0	0	0.00%	0.00%
e)	Insurance Companies	229144	0	229144	0.10%	229144	0	229144	0.10%	0.00%
f)	FIs	10982322	1200	10983522	4.64%	13674822	1200	13676022	5.78%	1.14%
g)	Foreign Venture Capital	0	0	0	0.00%	0	0	0	0.00%	0.00%
h)	Qualified Foreign Investors	0	0	0	0.00%	0	0	0	0.00%	0.00%
i)	Any other (specify)	0	0	0	0.00%	0	0	0	0.00%	0.00%
Sub total (B) (1)		14841256	250728	15091984	6.38%	16298145	250728	16548873	6.99%	0.62%

i) Contd...

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

Contd... i)

	Category of Shareholders	No. of Shares held at the beginning of the year (1st April 2014)				No. of Shares held at the end of the year (31st March 2015)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2)	Non- Institutions									
a)	Bodies Corporate									
i)	Indian	14023358	18511	14041869	5.93%	12691091	17239	12708330	5.37%	(0.56%)
ii)	Overseas	9600	0	9600	0.00%	9600	0	9600	0.00%	0.00%
b)	Individuals									
i)	Individual shareholders holding nominal share capital upto Rs. 1 lakh	28633319	1147106	29780425	12.58%	28044072	1012441	29056513	12.28%	(0.31%)
ii)	Individual shareholders holding nominal share capital in excess of Rs 1 lakh	16896280	0	16896280	7.14%	16651753	0	16651753	7.03%	(0.10%)
c)	Others (specify)									
i)	Non Resident Indians(Repat)	865246	14169	879415	0.37%	723826	13405	737231	0.31%	(0.06%)
ii)	Non Resident Indians(Non-Repat)	277578	0	277578	0.12%	293931	0	293931	0.12%	0.01%
iii)	Qualified Foreign Investors	0	0	0	0.00%	0	0	0	0.00%	0.00%
iv)	Clearing Member	829790	0	829790	0.35%	1333992	0	1333992	0.56%	0.21%
v)	Directors/ Relatives	0	0	0	0.00%	0	0	0	0.00%	0.00%
vi)	Trusts	4310	0	4310	0.00%	3043	0	3043	0.00%	0.00%
vii)	Foreign Portfolio Investor (Corporate)	0	0	0	0.00%	467985	0	467985	0.20%	0.20%
viii)	Foreign Nationals	0	0	0	0.00%	0	0	0	0.00%	0.00%
Sub total (B) (2)		61539481	1179786	62719267	26.50%	60219293	1043085	61262378	25.88%	(0.62%)
Total Public shareholding Public Group (B)= (B)(1)+(B)(2)		76380737	1430514	77811251	32.87%	76517438	1293813	77811251	32.87%	0.00%
C	Shares held by Custodian for GDRs & ADRs	0	0	0	0.00%	0	0	0	0.00%	0.00%
GRAND TOTAL (A)+(B)+(C)		235272733	1431714	236704447	100.00%	235410634	1293813	236704447	100.00%	0.00%

* includes Promoter Group

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

ii) Shareholding of Promoters

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Dilip Shanghvi	26809395	11.33	0.00	26809395	11.33	0.00	NIL

iii) Change in Promoters' Shareholding

Sr. No	Name	Shareholding		Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Cumulative shareholding during the year		
		No. of shares at the beginning (01/04/2014)/ end of the year (31/03/2015)	% of total shares of the Company	Date	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total shares of the Company	
1	Dilip Shanghvi	26809395	11.33%	4/1/2014		Opening Balance			
					-	0	No changes during the year		
		26809395	11.33%	3/31/2015			Closing Balance	26809395	11.33%

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No	Name	Shareholding		Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Cumulative shareholding during the year	
		No. of shares at the beginning (01/04/2014)/ end of the year (31/03/2015)	% of total shares of the Company	Date	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total shares of the Company
1	Viditi Investments Pvt. Ltd.	23555458	9.95%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		23555458	9.95%	3/31/2015		Closing Balance	23555458	9.95%
2	Tejaskiran PharmaChem Industries Pvt. Ltd.	23122598	9.77%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		23122598	9.77%	3/31/2015		Closing Balance	23122598	9.77%
3	Quality Investment Pvt. Ltd.	22735998	9.61%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		22735998	9.61%	3/31/2015		Closing Balance	22735998	9.61%
4	Family Investment Pvt. Ltd.	22578841	9.54%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		22578841	9.54%	3/31/2015		Closing Balance	22578841	9.54%
5	Virtuous Share Investments Pvt. Ltd.	11968080	5.06%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		11968080	5.06%	3/31/2015		Closing Balance	11968080	5.06%
6	Virtuous Finance Pvt. Ltd.	11262658	4.76%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		11262658	4.76%	3/31/2015		Closing Balance	11262658	4.76%
7	Sun Pharmaceutical Industries Key Employees Benefit Trust	9842530	4.16%	4/1/2014		Opening Balance		
				9/5/2014	598313	Transfer	10440843	4.41%
				9/12/2014	-598313	Transfer	9842530	4.16%
		9842530	4.16%	3/31/2015		Closing Balance	9842530	4.16%
8	Matthews India Fund	0		4/1/2014		Opening Balance		
				1/30/2015	2880000	Transfer	2880000	1.22%
				2/27/2015	650000	Transfer	3530000	1.49%
				3/6/2015	320000	Transfer	3850000	1.63%
				3/13/2015	720000	Transfer	4570000	1.93%
				3/20/2015	246012	Transfer	4816012	2.03%
				3/27/2015	2	Transfer	4816014	2.03%
		4816014	2.03%	3/31/2015		Closing Balance	4816014	2.03%
9	Aditya Medisales Limited	4663156	1.97%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		4663156	1.97%	3/31/2015		Closing Balance	4663156	1.97%
10	Raksha Sudhir Valia	3973941	1.68%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		3973941	1.68%	3/31/2015		Closing Balance	3973941	1.68%
11	Lakshdeep Investments & Finance Pvt. Ltd.	3911542	1.65%	4/1/2014		Opening Balance		
				-	0	No changes during the year		
		3911542	1.65%	3/31/2015		Closing Balance	3911542	1.65%

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

v) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	22.43	496.12	0.00	518.55
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	31.21	0.00	31.21
Total (i+ii+iii)	22.43	527.33	0.00	549.76
Change in Indebtedness during the financial year	0.00	0.00	0.00	0.00
· Addition	17.12	0.00	0.00	17.12
· Reduction	0.00	(123.27)	0.00	(123.27)
Net Change	17.12	(123.27)	0.00	(106.15)
Indebtedness at the end of the financial year	0.00	0.00	0.00	0.00
i) Principal Amount	39.55	381.66	0.00	421.21
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	0.00	22.40	0.00	22.40
Total (i+ii+iii)	39.55	404.06	0.00	443.61

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration to Managing Director, Whole-time Directors and/or Manager

(₹ in lakhs)

Sr. no.	Particulars of Remuneration	Dilip Shanghvi Chairman & MD	Sudhir V Valia Director & CFO	Dr. T Rajamannar*	Total Amount
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Nil	Nil	44.91	44.91
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	Nil	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	Nil	Nil	Nil	Nil
2	Stock Option	Nil	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil	Nil
	Commission				
	as a % of profit	Nil	Nil	Nil	Nil
4	others (sepcify)				
5	Others, please specify	Nil	Nil	Nil	Nil
	Total (A)	NIL	NIL	44.91	44.91
	Ceiling as per the Act	60.00	40.00	5.29	

* Wholetime Director upto 24th April 2014

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

B) Remuneration to other directors:

(₹ In Lakhs)

Sr. no.	Particulars of Remuneration	Name of Directors						Total Amount
		Prof. Dr. Andrea Vasella	Ms. Bhavna Doshi	Prof. Dr. Goverdhan Mehta	Mr. S Mohanchand Dadha	Dr. T Rajamannar	Mr. Sudhir V Valia	
1	Independent Directors							
	Fee for attending board committee meetings	5.70	1.70	5.70	3.90	-	-	17.00
	Commission	0.00	0.00	0.00	0.00	-	-	
	Others, please specify	0.00	0.00	0.00	0.00	-	-	
	Total (1)	5.70	1.70	5.70	3.90			17.00
2	Other Non-Executive Directors							
	Fee for attending board committee meetings	-	-	-	-	2.40	1.20	3.60
	Commission	-	-	-	-	0.00	0.00	0.00
	Others, please specify	-	-	-	-	0.00	0.00	0.00
	Total (2)							3.60
	Total (B) = (1+2)							20.60
	Total Managerial Remuneration (A+B)							65.51
	Overall Ceiling as per the Act							N.A

C) REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ In Lakhs)

Sr. no.	Particulars of Remuneration	Key Managerial Personnel		
		Ms. Meetal Sampat Company Secretary	Mr. Sudhir Valia CFO	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	14.19	0	14.19
	(b) Value of perquisites under section 17(2) of the Income Tax Act, 1961	0.11	0	0.11
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0	0
2	Stock Option	0	0	0
3	Sweat Equity	0	0	0
4	Commission as % of profit	0	0	0
5	Others, please specify	0	0	0
	Total	14.30	0	14.30

(ANNEXURE - A) EXTRACT OF ANNUAL RETURN FORM MGT-9

VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY	N.A.				
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

(ANNEXURE - B) SECRETARIAL AUDIT REPORT

Form No. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015. [Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Sun Pharma Advanced Research Company Limited,
Vadodara,
Gujarat.

We were appointed by the Board of Directors of Sun Pharma Advanced Research Company Limited (hereinafter called the Company) to conduct Secretarial Audit of the Company for the financial year ended 31st March, 2015.

We have conducted the Secretarial Audit of the compliances of applicable statutory provisions and the adherence to good corporate governance practice by the Company. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Management's Responsibility for Secretarial Compliances

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.

We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.

Opinion

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2015, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment (Regulations relating to Overseas Direct Investment and External Commercial Borrowings not attracted to the Company for the year under review);
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1998 ('SEBI Act'):
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 – **Not applicable to the Company for the year under review;**
 - d. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable to the Company for the year under review;**
 - e. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – **Not applicable to the Company for the year under review;**

(ANNEXURE - B) SECRETARIAL AUDIT REPORT

- f. The Securities and Exchange Board of India (Registrars to a Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client – **Not applicable to the Company;**
- g. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 – **Not applicable to the Company for the year under review;**
- h. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – **Not applicable to the Company for the year under review;**

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India under the provisions of Companies Act, 2013 **(Not applicable for the period under review as the same was not notified);** and
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited (hereinafter called as “Listing Agreement”);

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines etc. mentioned above, to the extent applicable:

Based on information received and records maintained, we further report that:

- 1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act and the Listing agreement;
- 2. Adequate notice of at least seven days was given to all directors to schedule the Board Meetings and Meetings of Committees. Agenda and detailed notes on agenda were sent in advance in adequate time before the meetings. There a system exists for Directors for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- 3. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

Based on the compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Respective Plant Heads/Occupiers of R&D Centres of the Company and taken on records by the Board of Directors at their meeting(s), we are of the opinion that the management has:

- a. Adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines; and
- b. Complied with the following laws applicable to the Company:
 - 1. Drugs and Cosmetics Act, 1940;
 - 2. The Medicinal and Toilet Preparations (Excise Duties Act), 1955;
 - 3. Industries (Development and Regulation) Act, 1951;
 - 4. Water (Prevention and Control of Pollution) Act, 1974;
 - 5. Air (Prevention and Control of Pollution) Act, 1981;
 - 6. Environment Protection Act, 1986;
 - 7. Factories Act, 1948;
 - 8. Industrial Disputes Act, 1947;
 - 9. Payment of Wages Act, 1936;
 - 10. The Minimum Wages Act, 1948;
 - 11. Employees' State Insurance Act, 1948;
 - 12. The Employees Provident Fund and Miscellaneous Provisions Act, 1952;
 - 13. The Payment of Bonus Act,1965;

(ANNEXURE - B) SECRETARIAL AUDIT REPORT

14. The Payment of Gratuity Act, 1972;
15. The Maternity Benefit Act, 1961;
16. The Child Labour (Prohibition and Regulation) Act, 1986;
17. The Contract Labour (Regulation and Abolition) Act, 1970;
18. The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013.

We further report that during the year under review, the Company has obtained approval of the members under following provisions of the Companies Act, 2013 by way of Special Resolution:

- a. Section 180(1)(a) for Creation of Charges / Mortgages / Hypothecations on movable and immovable properties upto Rs. 250 Crores (Rupees Two Hundred Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.
- b. Section 180(1)(c) for Borrowings upto Rs. 250 Crores (Rupees Two Hundred Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.

For **C. J. Goswami & Associates,**
Practicing Company Secretaries

Chintan J. Goswami

Proprietor

Mem No. -33697

C. P. No. -12721

Date : 5th May, 2015

Place : Mumbai

(ANNEXURE - C) TO DIRECTORS' REPORT

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

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 (US, EU), as well as India and emerging markets. It undertakes projects in innovative research and technology for New Chemical Entities (NCE or new molecules), and Novel Drug Delivery Systems (NDDS), typically these projects earn intellectual property, have a fairly long time frame and unpredictable outcome. These products/ technologies are eventually licensed out, and they earn upfront as well as milestone payments in line with industry norms

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:
 - Inflammation—primarily dermal, but also nasal and asthma for specific markets
 - Cancer (Chronic Myeloid Leukaemia)

Inflammation

SUN-0597 is a locally acting “soft steroid” that we have worked for some time, this is now being developed primarily for a dermal indication—psoriasis. It is also being evaluated for India and emerging markets for allergic rhinitis and asthma.

Anticancer

Our molecule SUN-K706 is being developed for chronic myeloid leukaemia (CML) especially for the resistant form of CML. Unlike Ponatinib, which was also designed to address this issue of resistant CML, SUN-K706 is found to be a very selective inhibitor of Abl and Abl related kinases and not a pan kinase inhibitor. Unlike Ponatinib, Sun K 706 does not inhibit VEGFR2. Arterial thrombosis is a serious safety concern with Ponatinib, attributed to VEGFR2 inhibition. Sun K 706 increased the survival of mice with leukaemia cell lines, and safety pharmacology data showed no adverse effects on cardiac, hepatic, renal etc. functions. A formulation for clinical studies is now optimised, and IND enabling toxicity etc. studies completed. IND is expected to be filed in 2015-16.

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—Sun 597 topical
- ▶ Novel device for inhaled drugs
- ▶ SMM technology for ophthalmic emulsion
- ▶ NTC technology for ophthalmic solution
- ▶ Abuse deterrent technologies
 - In addition, SPARC is developing Minocycline Topical and Tizanidine ER, detailed below.

ORAL CONTROLLED RELEASE SYSTEMS

Gastro Retentive Innovative Device (GRID)

As we have previously shared with you, 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 size expansion and flotation. SPARC has developed Baclofen GRS once a day using this technology for the treatment of spasticity, an extensive patent portfolio has also been built around this intellectual property. Extensive market research has been carried out with payors. The number of sites recruiting patients has been increased significantly, and an NDA filing is targeted for 2017-18. Baclofen GRS has already been launched in India to a fair response. Baclofen GRS for alcohol dependence has been deprioritized for the EU.

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. Venlafaxine XR has been deprioritized in view of changed market dynamics. Xelpros, SPARC's brand of Levetiracetam ER 1000 mg & 1500 mg, an anti-epileptic filed through the 505(b)(2) route in the US using this technology, has been recently approved by the USFDA—the first NDA approval from SPARC. The team is now in advanced licensing talks, and expects to reach market in the second half of 2015-16.

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

(ANNEXURE - C) TO DIRECTORS' REPORT

carriers derived from biocompatible/ biodegradable polymers and lipids. PICN had previously obtained marketing approval in India, and is readying for country-wide launch. In BE studies, PICN showed bioequivalence with albumin bound Paclitaxel. Pivotal bioequivalence studies are now planned in Q4 2015-16. PICN is also being evaluated for Cholangiocarcinoma as a second line treatment. SPARC has received concurrence from the USFDA on the Phase 3 metastatic breast cancer protocol, with plans to initiate trial by Q4, 2015-16.

BIODEGRADABLE INJECTIONS/ IMPLANTS

Depot formulations using biodegradable polymers avoid 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.

Octreotide LAR has been launched in India.

SUN 597 TOPICAL

A pre IND meeting has been completed with the USFDA with IND filing planned for Q2 2015-16, and Phase 1 study to be initiated thereafter. The initial trials in psoriasis look interesting.

MINOCYCLINE TOPICAL

SPARC's Minocycline Topical is a novel treatment for acne, with better dermatokinetics. A pre IND meeting is planned in Q3 15-16 with IND filing planned by Q1 2016-17.

TIZANIDINE ER

SPARC'S Tizanidine ER is a novel formulation for the management of chronic pain. SPARC has completed a pre IND meeting with USFDA, completed pilot PK studies, and plans to perform phase 2 studies in 2015-16.

ABUSE DETERRENT TECHNOLOGY:

SPARC has filed the necessary patents and completed preliminary meetings with the USFDA.

NOVEL DEVICE FOR INHALED DRUGS

SPARC's dry powder inhalation device enables convenient and uniform dose administration of drugs for asthma and COPD. The device is small, convenient to carry and have a simple three step operating sequence - "open-inhale-close". The device is developed to comply with the US and European FDA requirements. The highlight of this device is that in pharmacokinetic studies, it shows the same effect as the brand leader Seretide Accuhaler—at half the dose. The PK outcomes and clinical program have been discussed with three EU regulatory agencies. SPARC is accelerating the clinical program for EU and targets regulatory filing by Q4, 2017-18. Phase-3 trials in India have been successfully completed and the product introduced in the domestic market. For the US, SPARC is to obtain regulatory advice and develop an appropriate clinical strategy.

SMM TECHNOLOGY FOR OPHTHALMIC FORMULATIONS

Xelpros, SPARC's BAK free latanoprost, had been filed with the USFDA and a Complete Response Letter received. This CRL

did not seek any significant clinical or technical information, and has since been replied to. SPARC also entered into a licensing agreement (for upfront and milestone payments) with a Sun Pharma subsidiary for the US market.

NTC TECHNOLOGY FOR OPHTHALMIC FORMULATIONS

Brimonidine, a commonly used second line treatment for glaucoma, is being developed as a once-a-day formulation using SPARC's proprietary Nanotemplate Cluster Ocular Technology. An IND is likely to be filed in 2015-16.

BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

SPARC has been working on technology intensive, longer duration projects with uncertain timeframes. SPARC's efforts target the international markets as well as markets like India, and this involves dealing with a number of regulatory agencies. NCE's upon commercialization are expected to provide patients with better treatment options, safer side effect profile, treatments for certain resistant forms or even the possibility of increased dosing compared to conventional treatments 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, required in lesser dosage for the same action, or easier for the patient to take, or for the nursing staff to administer. For products such as ADF, the dosage would be tougher to abuse.

3. **FUTURE PLAN OF ACTION**—this has been covered with the description of products above. For more information, please also refer to the detailed discussion in the MDA.

4. EXPENDITURE ON R&D

	Year ended 31st March, 2015 ₹ in Lakhs	Year ended 31st March, 2014 ₹ in Lakhs
a) Capital	975.09	260.51
b) Revenue	19,083.36	13,353.89
c) Total	20,058.45	13,614.40
d) Total R&D expenditure as % of Total Turnover	128.80%	81.5%

5. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Year ended 31st March, 2015 ₹ in Lakhs	Year ended 31st March, 2014 ₹ in Lakhs
1. Earnings	12,474.08	12,949.72
2. Outgo	10,550.54	6,913.82

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report for the year ended 31st March, 2015 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 (hereinafter referred to as 'the Board' or the 'Board of Directors') is seven Directors.

Composition and category of Directors is as follows:

Name of the Directors	Category	Inter-se Relationship between Directors
Mr. Dilip S. Shanghvi (Chairman and Managing Director)	Promoter Executive Director	<i>Brother-in-law of Mr. Sudhir V. Valia</i>
Mr. Sudhir V. Valia #	Non Executive & Non Independent Director upto 31 st July, 2014 Non Promoter Executive Director w.e.f 31 st July, 2014	<i>Brother-in-law of Mr. Dilip S. Shanghvi</i>
Dr. T. Rajamannar	Non Promoter Executive Director upto 24 th April, 2014 Non Executive & Non Independent Director w.e.f 24 th April, 2014	-
Mr. S. Mohanchand Dadha	Non Executive Independent Director	-
Prof. Dr. Goverdhan Mehta	Non Executive Independent Director	-
Prof. Dr. Andrea Vasella	Non Executive Independent Director	-
Ms. Bhavna Doshi ##	Non Executive Independent Director	-

Appointed as Chief Financial Officer of the Company w.e.f 30th July, 2014.

Appointed as Additional Independent Director with effect from 31st October, 2014.

Number of Board Meetings held during the year ended 31st March, 2015 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, 2015 are as follows:

3rd May, 2014, 31st July, 2014, 31st October, 2014 and 30th January, 2015.

The Board of Directors is presented with all the information as set out in Clause 49 of the Listing Agreement to the extent it is applicable and relevant. Such information is submitted either as a part of the agenda papers in advance of the respective meetings or by way of presentations and discussions during the meeting.

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 respective tenure of Director	Attendance Particulars for the year ended 31 st March, 2015		*No. of other directorships and committee memberships / chairmanships as of 31 st March, 2015		
		Board Meetings	Last AGM held on 31 st July, 2014	Other Directorships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	4	4	Yes	2	1	-
Mr. Sudhir V. Valia	4	3	Yes	3	2	-
Dr. T. Rajamannar	4	4	Yes	-	-	-
Mr. S. Mohanchand Dadha	4	4	Yes	3	2	1
Prof. Dr. Goverdhan Mehta	4	4	Yes	1	-	-
Prof. Dr. Andrea Vasella	4	4	Yes	-	-	-
Ms. Bhavna Doshi #	2	2	NA	8	2	3

Note:

* The above list does not include Directorships, Committee Memberships and Committee Chairmanships in Private, Foreign and Section 8 Companies.

**The Committee Memberships and Chairmanships in other Companies include Memberships and Chairmanships of Audit and Stakeholders' Relationship Committee only.

Ms. Bhavna Doshi was appointed as Additional Independent Director with effect from 31st October, 2014.

3. Code of Conduct

The Board of Directors has laid down a code of conduct for all Board members and all employees of the Company. The Code of Conduct of the Company was revised during the year to align the same with the requirements of revised clause 49 of the Listing agreement. All the Directors and senior management 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 may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>.

4. Audit Committee

The Audit Committee of the Company presently comprises of four independent non-executive Directors viz Ms. Bhavna Doshi (appointed to the Committee by the Board of Directors at its meeting held on 31st October, 2014), Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta and Prof. Dr. Andrea Vasella. Mr. S. Mohanchand Dadha was the Chairman of the Audit Committee upto 30th January, 2015. Ms. Bhavna Doshi assumed the office of Chairperson of the Committee w.e.f 30th January, 2015. The Company Secretary of the Company is the Secretary of the Audit Committee.

The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

During the year, the terms of reference of the Audit Committee was revised by the Board to align the same with Section 177 of the Companies Act, 2013 and the revised Clause 49 of the Listing Agreement and inter alia, includes the following:

- Overseeing the Company's financial reporting process.
- Reviewing the adequacy of internal audit function.
- Reviewing with the management the quarterly / half yearly / annual financial results / statements and auditor's report thereon before submission to the board for approval.
- 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 Internal Auditors and fixation of audit fees. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

- f. 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.
- g. Evaluation of internal financial controls and risk management system.
- h. To review the functioning of the Whistle Blower mechanism / Vigil mechanism.
- i. Scrutiny of inter-corporate loans and investments, approval of appointment of CFO etc.
- j. Review of matters to be included in the Directors Responsibility Statement, to be included in the Board Report.

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.

Four Audit Committee Meetings were held during the year ended 31st March, 2015. The dates on which Meetings were held are as follows:

3rd May, 2014, 31st July, 2014, 31st October, 2014 and 30th January, 2015.

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

Name of the Director	Chairman/Member	No. of meetings held during the tenure of the respective members	No. of Audit Committee meetings attended
Ms. Bhavna Doshi #	Chairperson	1	1
Mr. S. Mohanchand Dadha #	Chairman / Member	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	4

Ms. Bhavna Doshi assumed the office of Chairperson of the Audit Committee w.e.f 30th January, 2015.

5. Nomination and Remuneration Committee

The Board of Directors at its meeting held on 3rd May, 2014 has approved the change of name of the 'Remuneration Committee' to 'Nomination and Remuneration Committee'. The terms of reference of the Committee was also revised to align the same with the provisions of Section 178 of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement.

The Nomination and Remuneration Committee presently comprises of four Non-Executive and Independent Directors, Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta, Prof. Dr. Andrea Vasella and Ms. Bhavna Doshi (appointed by the Board as a member of the Committee in its meeting held on 31st October, 2014). Mr. S. Mohanchand Dadha is the Chairman of the Committee. The Company Secretary is the Secretary of the Nomination and Remuneration Committee.

The revised terms of reference of the Committee inter alia include the following:

- a. To determine the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- b. To review, recommend and/or approve remuneration to whole time directors
- c. To review and recommend the Remuneration Policy of the Company.
- d. To approve grant of Stock options to directors and employees.
- e. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board the appointment and removal and carry out evaluation of every director's performance.
- f. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- g. To formulate criteria for evaluation of performance of Independent Directors and the Board of Directors.
- h. To devise a policy on Board Diversity.

Four meetings of the Committee were held during the year ended on 31st March, 2015 on the following dates:

3rd May, 2014, 31st July, 2014, 31st October, 2014 and 30th January, 2015.

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

Name of the Director	Chairman/Member	No. of meetings held during the tenure of the respective members	No. of Committee meetings attended
Mr. S. Mohanchand Dadha	Chairman	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	4
Ms. Bhavna Doshi #	Member	1	1

Ms. Bhavna Doshi assumed the office as a member of the committee with effect from 30th January, 2015.

The Nomination and Remuneration Committee, at its meeting held on 31st July, 2014 have approved and recommended the Remuneration Policy for the Directors, Key Managerial Personnel and Other Employees of the Company which has been approved by the Board of Directors at its meeting held on 31st July, 2014. The key highlights of the said Policy are as follows:

- A. Guiding Principles for remuneration: The Company shall remunerate all its personnel reasonably and sufficiently as per industry benchmarks and standards. The remuneration shall be commensurate to retain and motivate the human resources of the Company. The compensation package will, inter alia, take into account the experience of the personnel, the knowledge and skill required including complexity of the job, work duration and risks associated with the work, and attitude of the worker like, positive outlook, team work, loyalty etc.
- B. Components of Remuneration: The following will be the various remuneration components which may be paid to the personnel of the Company based on the designation and class of the personnel.
 - a. Fixed compensation: The fixed salaries of the Company's personnel shall be competitive and based on the individual personnel's responsibilities and performance.
 - b. Variable compensation: The personnel of the Company may be paid remuneration by way of variable salaries based on their performance evaluation. Such variable salaries should be based on the performance of the individual against his short and long term performance objectives and the performance of the Company.
 - c. Share based payments: The Board may, on the recommendation of the Nomination and Remuneration Committee, issue to certain class of personnel a share and share price related incentive program.
 - d. Non-monetary benefits: Senior management personnel of the Company may, on a case to case basis, be awarded customary non-monetary benefits such as discounted salary advance / credit facility, rent free accommodation, Company cars with or without chauffeur's, share and share price related incentive, reimbursement of electricity and telephone bills, etc.
 - e. Gratuity/group insurance: Personnel may also be awarded to group insurance and other key man insurance protection. Further as required by law necessary gratuity shall be paid to the personnel.
 - f. Commission: The directors may be paid commission if approved by the shareholders. The shareholders may authorise the Board to declare commission to be paid to any director of the Board.
- C. Entitlement: The authority to determine the entitlement to various components as aforesaid for each class and designation of personnel shall be as follows:

Designation / Class	To be determined by
Director	Members on recommendation of Nomination and Remuneration Committee and the Board of Directors.
Key Managerial Personnel	Board of Directors on recommendation of the Nomination and Remuneration Committee
Other employees	Human Resources Head

Details of remuneration paid / payable to all the Directors for the year:

Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V. Valia, Whole-time Director & Chief Financial Officer (subsequent to being appointed as an Executive Director) do not draw any remuneration from the Company. The details of remuneration paid to Dr. T. Rajamannar (Executive Director upto 24th April, 2014 is given in the table below w.e.f. 1st November 2014.

The Non-Executive Directors were paid sitting fees at the rate of ₹ 20,000/- for attending each meeting of the Board and/or of Committee thereof. The Board of Directors at its meeting held on 31st October, 2014, revised the sitting fees to ₹ 30,000/- for attending each meeting of the Board and/or of Committee thereof w.e.f. 1st November 2014.

None of the Independent Directors have any pecuniary relationship with the Company other than the sitting fees received by them for attending the meeting of the Board and/or of Committee thereof.

The details of the remuneration paid/payable to the Directors for the year 2014-2015 are given below:

(₹ In Lakhs)

Directors	Salary #	Bonus	Perquisites* / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	-	-	-	-	-
Dr. T. Rajamannar **	14.04	1.53	5.43	*** 2.40	23.48
Mr. Sudhir V. Valia	-	-	-	1.20	1.20
Mr. S. Mohanchand Dadha	-	-	-	3.90	3.90
Prof. Dr. Goverdhan Mehta	-	-	-	5.70	5.70
Prof. Dr. Andrea Vasella	-	-	-	5.70	5.70
Ms. Bhavna Doshi	-	-	-	1.70	1.70

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, as a Whole-Time Director, Dr. T. Rajamannar was also entitled to Mediclaim and Gratuity as per the rules of the Company and Leave accumulated and not availed during his tenure as a Whole-Time Director is allowed to be encashed. The remuneration of Whole-time Director(s) consists only of fixed component.

*** Post his appointment as a Non-Executive Director of the Company w.e.f. 24th April, 2014.

Notes: -

- 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.
- Dr. T. Rajamannar, has ceased to be the Whole-time Director of the Company with effect from, 24th April, 2014 and is a Non-Executive Director of the Company with effect from 24th April, 2014. The above remuneration of Dr. T. Rajamannar is within the overall limits as approved by the shareholders of the Company; however to the extent of ₹ 14.79 Lakhs is in excess of the limits approved by the Central Government. In this regard, the Company has made further representations to the Central Government providing the rationale for increase in the remuneration, the response in respect of which is awaited. In case the requisite approval is not received from the Central Government, the excess remuneration paid would be recovered from him.
- Mr. Sudhir V. Valia has been appointed as the Chief Financial Officer and consequentially a Whole-time Director of the Company w.e.f 31st July, 2014 upto 31st December, 2015. The terms and conditions of his appointment are subject to shareholders approval. Either party may terminate the appointment by giving a notice in writing as per the Company Policy.
- The Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.
- There is no separate provision for payment of severance fees to Whole-time Director(s).

Details of Equity Shares held by Non-Executive Directors as on 31st March, 2015:

Name of Director	No. of Shares
Mr. S. Mohanchand Dadha	Nil
Dr. T. Rajamannar	35,657
Prof. Dr. Goverdhan Mehta	Nil
Prof. Dr. Andrea Vasella	Nil
Ms. Bhavna Doshi	Nil

6. Stakeholders' Relationship Committee

The Board of Directors at its meeting held on 3rd May, 2014 has approved the change of name of the 'Shareholders' Grievance Committee' to 'Stakeholders' Relationship Committee'. The terms of reference of the Committee was also revised to align the same with the requirements of Section 178 of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement.

The Stakeholders' Relationship Committee comprises of Dr. T. Rajamannar, Prof. Dr. Goverdhan Mehta, Prof. Dr. Andrea Vasella and Mr. Sudhir V. Valia. Mr. Sudhir V. Valia was the Chairman of the Committee upto 31st July, 2014 and Dr. T. Rajamannar has been appointed as the Chairman of the Committee w.e.f. 31st July, 2014.

The revised terms of reference of the Committee inter alia include the following:

- To look into redressal of grievances of shareholders, debenture holders and other security holders of the Company.
- To consider and resolve grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.
- To approve issue of duplicate share certificates and to oversee and review all matters connected with the transfer, transmission and issue of securities.
- To oversee the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services.
- To investigate any activity within its terms of reference.
- To seek information from share transfer agents
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary and have full access to the information contained in the records of the Company.

The Board had designated Ms. Meetal Sampat, the Company Secretary (upto 6th May, 2015) and Mr. Debashis Dey (w.e.f. 6th May, 2015) as the Compliance Officer and as the Secretary of the Stakeholders' Relationship Committee of the Company.

Four meetings of the Committee were held during the year ended 31st March, 2015. The dates on which Meetings were held are as follows:

3rd May, 2014, 31st July, 2014, 31st October, 2014 and 30th January, 2015.

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

Name of the Director	Chairman/ Member	No. of meetings held during the tenure of the respective members	No. of Committee meetings attended
Mr. Sudhir V. Valia #	Chairman / Member	4	3
Dr. T. Rajamannar #	Chairman / Member	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	4

Pursuant to Mr. Sudhir V. Valia being appointed as an Executive Director w.e.f 31st July, 2014, Dr. T. Rajamannar, Non-Executive Director, with effect from 24th April, 2014, was appointed as the Chairman of the Committee w.e.f 31st July, 2014.

Shareholders' Complaints:

The total number of shareholder complaints received and resolved during the year under review, were as follows:

No. of Shareholder Complaints pending at the beginning of the year	-
No. of Shareholder Complaints received during the year	6
No. of Shareholder Complaints resolved during the year	6
No. of Shareholder Complaints pending at the end of the year	-

7. Corporate Social Responsibility Committee

In compliance with the requirements of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of the Company at its meeting held on 3rd May, 2014 constituted a Corporate Social Responsibility Committee. The Committee consists of Mr. Sudhir V. Valia, Mr. Dilip S. Shanghvi, Mr. S. Mohanchand Dadha and Ms. Bhavna Doshi (appointed as a member of the Committee by the Board of Directors at its meeting held on 31st October, 2014). Mr. Sudhir V. Valia is the Chairman of the Committee.

The terms of reference of the Corporate Social Responsibility Committee inter alia include the following:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

- b. To monitor the Corporate Social Responsibility Policy (CSR Policy) of the Company from time to time.
- c. To recommend the amount of expenditure to be incurred on the activities referred above.
- d. To monitor amount spent on the CSR initiatives of the Company as per the CSR policy.

One meeting of the Committee was held on 30th January, 2015, which was attended by all the members of the Committee.

As recommended by the Committee, the Board of Directors of the Company has at its meeting held on 30th January, 2015 approved the CSR Policy of the Company. A summary of the CSR Policy of the Company may be accessed through the web link <http://www.sunpharma.in/regulatory-compliance.htm>.

8. Ethics & Compliance Committee

The Ethics & Compliance Committee comprised of three, Non-Executive and Independent Directors Prof. Dr. Goverdhan Mehta, Mr. S. Mohanchand Dadha, and Prof. Dr. Andrea Vasella. Prof. Dr. Goverdhan Mehta was the Chairman of the Committee. The Company Secretary was 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.

Three meetings of the Ethics & Compliance Committee were held during the year ended on 31st March, 2015, on the following dates:

3rd May, 2014, 31st July, 2014 and 31st October, 2014.

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

Name of the Director	Chairman/ Member	No. of meeting held during the tenure of the respective members	No. of Ethics & Compliance Committee meetings Attended
Prof. Dr. Goverdhan Mehta	Chairman	3	3
Mr. S. Mohanchand Dadha	Member	3	3
Prof. Dr. Andrea Vasella	Member	3	3

The Board of Directors at their meeting held on 31st October, 2014 has dissolved the Ethics & Compliance Committee w.e.f. 1st November, 2014

9. Executive Committee

The Executive Committee comprised of three Non-Executive Directors – Prof. Dr. Andrea Vasella, Mr. Sudhir V. Valia and Prof. Dr. Goverdhan Mehta. Prof. Dr. Andrea Vasella was the Chairman of the Committee. The Company Secretary was 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.

Three meetings of the Executive Committee were held during the year ended on 31st March, 2015, on the following dates:

3rd May, 2014, 31st July, 2014 and 31st October, 2014.

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

Name of the Director	Chairman/ Member	No. of meeting held during the tenure of the respective members	No. of Executive Committee meetings Attended
Prof. Dr. Andrea Vasella	Chairman	3	3
Mr. Sudhir V. Valia	Member	3	3
Prof. Dr. Goverdhan Mehta	Member	3	3

The Board of Directors at their meeting held on 31st October, 2014 has dissolved the Executive Committee w.e.f. 1st November, 2014.

10. Fund Mobilising and Monitoring Committee

The Fund Mobilising and Monitoring Committee of the Company comprised of Prof. Dr. Andrea Vasella, Prof. Dr. Goverdhan Mehta and Dr. T. Rajamannar. Dr. T. Rajamannar was the Chairman of the Committee. The Company Secretary was the Secretary of the 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.

Three meetings of the Fund Mobilising and Monitoring Committee were held during the year ended on 31st March, 2015, on the following dates:

3rd May, 2014, 31st July, 2014 and 31st October, 2014.

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

Name of the Director	Chairman/ Member	No. of meetings held during the tenure of the respective members	No. of Fund Mobilising and Monitoring Committee meetings attended
Dr. T. Rajamannar	Chairman	3	3
Prof Dr. Goverdhan Mehta	Member	3	3
Prof Dr. Andrea Vasella	Member	3	3

The Board of Directors at their meeting held on 31st October, 2014 has dissolved the Fund Mobilising and Monitoring Committee w.e.f. 1st November, 2014.

11. Subsidiary Companies

The Company does not have any subsidiary company.

12. General Body Meetings

(i) Location and time, where last three Annual General Meetings (AGM) were held, are as follows:

Year	Meeting	Location	Date	Time	Special Resolutions passed at the AGM
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 1 st 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 4 th June, 2013.
2012-13	Eighth AGM	Sir Sayajirao Nagargruh, Akota, Vadodara-390 020 Gujarat	30.07.2013	11.30 A.M	1) Approval for amendment in the Objects of Rights Issue of Equity Shares of the Company for utilisation of balance proceeds of the Rights Issue funds for revised objects namely "Any Research and Development activities/ expenses including incidental, ancillary and/or support activities/ expenses incurred by the Company, directly or indirectly."

Year	Meeting	Location	Date	Time	Special Resolutions passed at the AGM
2013-14	Ninth AGM	Sir Sayajirao Nagar gruh, Akota, Vadodara-390 020 Gujarat	31.07.2014	11.15 A.M	<p>1) Consent given to the Board of Directors of the Company including any committee thereof under section 180(1)(a) of the Companies Act, 2013 for creation of charges, mortgages and hypothecations in respect of any loans, for which the charge is to be created, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said loans, shall not exceed the limit of ₹ 250 Crores (Rupees Two Hundred and Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.</p> <p>2) Consent given to the Board of Directors of the Company including any committee thereof under section 180(1)(c) of the Companies Act, 2013 for borrowing any sum or sums of monies which together with the monies already borrowed by the Company may exceed the aggregate of the paid up share capital of the Company and its free reserves (that is to say reserve not set apart for any specific purpose) provided that the total amount so borrowed by the Board shall not at any time exceed ₹ 250 crores (Rupees Two Hundred and Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.</p> <p>3) Approval under Section 186 of the Companies Act, 2013 authorising the Board of Directors of the Company to make loan(s) and/or give guarantee(s)/ provide any security(ies) in connection with loans made to and to make investments in shares ,debentures and/or any other securities of other body corporates whether in India or outside India, or in various schemes of mutual funds exceeding the limits specified in Section 186 of the Companies Act 2013, upto a maximum of ₹ 250 Crores (Rupees Two Hundred and Fifty Crores).</p>

During the previous financial year, no special resolution was passed by the Company through postal ballot.

At present, the Company does not propose to pass any special resolution through Postal Ballot.

13. Disclosures

- No transaction of a material nature has been entered into by the Company with the related parties that may have a potential conflict with the interests of the Company at large. The Register of contracts containing transactions, in which directors are interested, is placed before the Board of Directors regularly. The transactions with the related parties are disclosed in the Financial Statements.
- 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.
- The Board of Directors of the Company at its meeting held on 3rd May, 2014 have approved a whistle blower policy and put in place a mechanism to monitor the actions taken on complaints received under the said policy. This policy also outlines the reporting procedure and investigation mechanism to be followed in case an employee blows the whistle for any wrong-doing in the Company. Employees are given protection in two important areas - confidentiality and against retaliation. It is ensured that

Employees can raise concerns regarding any violation or potential violation easily and free of any fear of retaliation, provided they have raised the concern in good faith. An ombudsperson/s has been appointed to receive the complaints through portal or email or letters who would investigate the complaints with an investigating committee. The final decision would be taken by the Ombudsperson in consultation with the management and the Audit Committee. The Policy is expected to help to draw the Company's attention to unethical, inappropriate or incompetent conduct which has or may have detrimental effects either for the organisation or for those affected by its functions. A copy of the Company's Whistle Blower Policy may be accessed at www.sunpharma.in/regulatory-compliance.htm. No personnel has been denied access to the Audit Committee.

- Details of compliance with mandatory requirements and adoption / non-adoption of the Non- mandatory requirements:
 - (i) The Company complies with all the mandatory requirements specified under Clause 49 of the Listing Agreement.
 - (ii) The Company does not send half-yearly financial results including summary of the significant events in the last six months to the household of each shareholder. However, the financial results are published in the newspapers and also posted on the website of the Company and the websites of BSE and NSE.
 - (iii) The Financial statements of the Company have not been qualified by the Auditors.
 - (iv) The Company does not have separate position for Chairman & Managing Director.
 - (v) The Company has appointed M/s. K C Mehta & Associates as the Internal Auditors of the Company. The Internal Auditor reports their findings to the Audit Committee of the Company.

14. Means of Communication

- * **Website:** The Company's website www.sunpharma.in contains a separate dedicated section 'Investors' where shareholders information is available. Full Annual Report is also available on the website in a user friendly and downloadable form. Apart from this, official news releases, detailed presentations made to media, analysts etc. are also displayed on the Company's website.
- * **Financial Results:** The annual, half-yearly and quarterly results are 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 are regularly filed by the Company with the Stock Exchanges and are available on the website of BSE Ltd. - www.bseindia.com, National Stock Exchange of India Ltd. - www.nseindia.com.

15. General Shareholder Information

15.1 Annual General Meeting:

- **Date and Time** : Saturday, 1st August, 2015, at 11:15 a.m.

- **Venue** : Sir Sayajirao Nagargruh,
Akota, Vadodara - 390 020, Gujarat.

15.2 Financial Calendar (tentative)

: Results for quarter ending 30th June, 2015 – First week of August, 2015.

: Results for quarter ending 30th September, 2015 – Last week of October, 2015 / First week of November, 2015.

: Results for quarter ending 31st December, 2015 – Last week of January, 2016 / First week of February, 2016

: Audited Results for year ended 31st March, 2016 – First or Second week of May, 2016.

15.3 Details of Book Closure For Equity Shareholders: : Saturday, 25th July, 2015 to Saturday 1st August, 2015 (both days inclusive).

15.4 Dividend Payment Date : N.A.

15.5 (i) Listing of Equity Shares on Stock Exchanges :

(ii) Payment of Listing Fee:

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

Listing Fees for the year ended 2015-16 have been paid, within the stipulated time, to BSE Limited and National Stock Exchange of India Ltd, where the Company's Equity Shares continue to be listed.

15.6 Stock Code:

Equity Shares

(a) Trading Symbol BSE Ltd., (Demat Segment):	532872
Trading Symbol National Stock Exchange of India Ltd. (Demat Segment):	SPARC
(b) Demat ISIN Numbers in NSDL and CDSL for Equity Shares of Re.1/- each	ISIN No. INE232I01014

15.7 Market Price Data

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

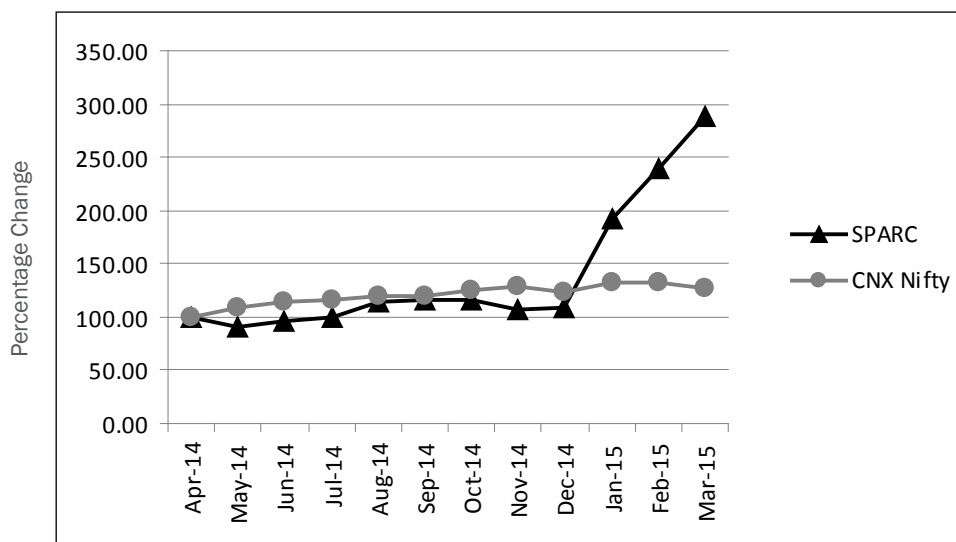
Equity Shares of ₹ 1/- each:

	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 2014	184.00	145.55	184.30	145.00
May 2014	174.50	151.00	174.55	150.70
June 2014	177.75	155.70	177.90	155.30
July 2014	191.80	153.50	191.80	153.30
August 2014	205.90	158.90	205.90	158.75
September 2014	218.60	182.50	218.65	181.65
October 2014	207.45	184.70	207.65	184.80
November 2014	200.40	180.00	200.50	179.10
December 2014	208.50	171.00	208.45	170.70
January 2015	395.20	185.80	395.00	185.45
February 2015	413.65	317.40	414.00	311.25
March 2015	598.00	406.05	598.00	406.00

(Source: BSE and NSE website)

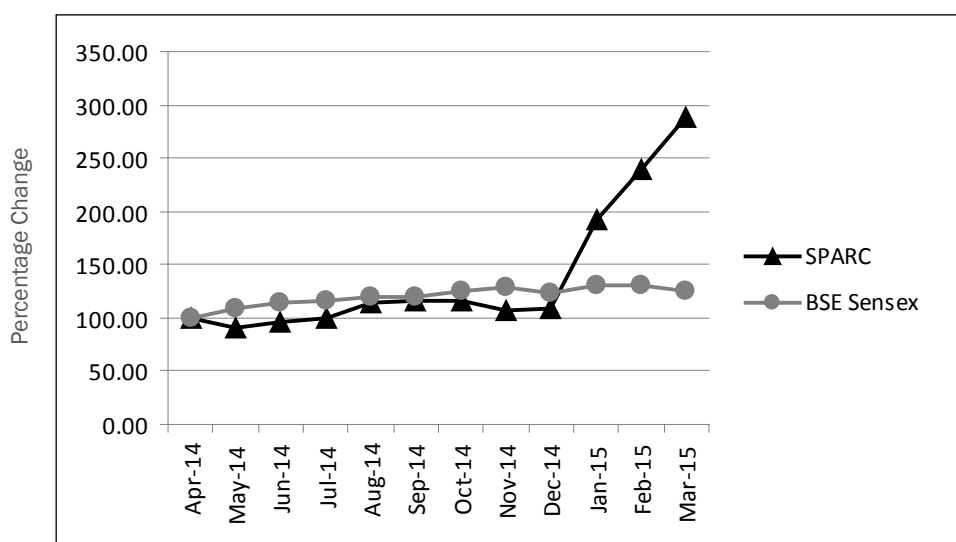
15.8 Share price performance in comparison to broad-based indices – BSE Sensex and NSE Nifty:

(a) SPARC share price performance versus CNX Nifty



(Source: NSE website)

(b) SPARC share price performance versus BSE Sensex



(Source: BSE website)

15.9 Registrars & Transfer Agent

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

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

15.10 Share Transfer System

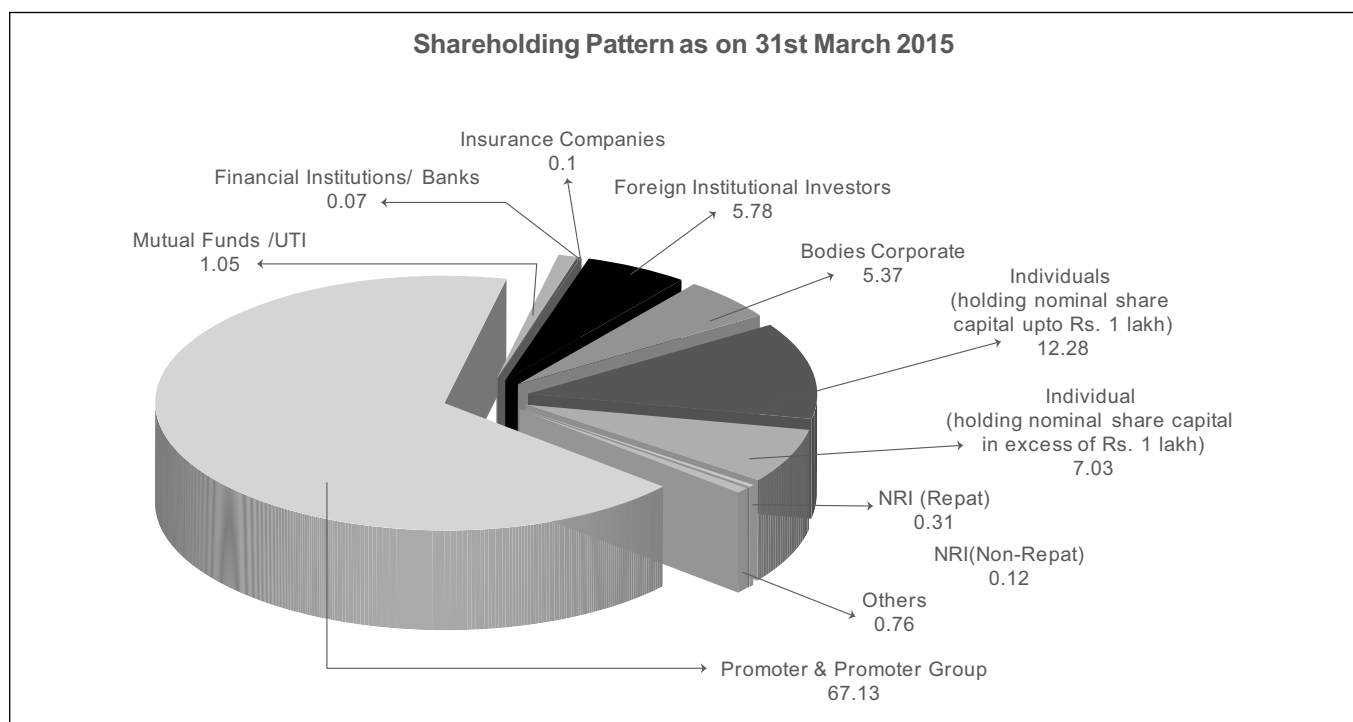
Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects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

15.11 Distribution of Shareholding as on 31st March, 2015

No. of Equity Shares held	No. of Accounts		Shares of face value ₹ 1/- each	
	Numbers	% to total accounts	Numbers	% to total shares
Upto 500	66661	86.32	7060262	2.98
501 - 1000	4367	5.65	3399688	1.44
1001 - 2000	3736	4.84	5196965	2.19
2001 - 3000	805	1.04	2055732	0.87
3001 - 4000	332	0.43	1177487	0.50
4001 - 5000	267	0.34	1255672	0.53
5001 - 10000	500	0.65	3673208	1.55
10001 and above	561	0.73	212885433	89.94
Total	77229	100.00	236704447	100.00

15.12 Shareholding Pattern of the Company as on 31st March, 2015

Particulars	No. of Shares	Percentage
Promoter & Promoter Group	158893196	67.13
Mutual Funds /UTI	2479625	1.05
Financial Institutions/ Banks	164082	0.07
Insurance Companies	229144	0.10
Foreign Institutional Investors	13676022	5.78
Bodies Corporate	12708330	5.37
Individuals (holding nominal share capital upto ₹ 1 lakh)	29056513	12.28
Individual (holding nominal share capital in excess of ₹ 1 lakh)	16651753	7.03
NRI (Repat)	737231	0.31
NRI(Non-Repat)	293931	0.12
Others	1814620	0.76
Total	236704447	100.00



15.13 Dematerialization of Shares

About 99.45% of the Equity shares of the Company have been dematerialized up to 31st March, 2015.

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 2014-2015 is given below:

Particulars	NSE	BSE	NSE + BSE
No. of share (in Thousands)	1260.15	404.92	1665.07
Value of shares (₹ Millions)	400.83	125.56	526.39

(Source: BSE and NSE website)

15.14 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.

15.15 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.

15.16 Investor Correspondence

(a) For transfer/dematerialisation of Shares, and any other query relating to the shares of the Company

(b) E-mail id designated by the Company for Investor Complaints.

(c) Any query on Annual Report

For Shares held in Physical Form

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

For Shares held in Demat Form

To the Depository Participant.

secretarial@sparcmail.com

Ms. Mira Desai

Mr. Debashis Dey

17/B, Mahal Industrial Estate,
Mahakali Caves Road, Andheri (East),
Mumbai - 400 093.
mira.desai@sparcmail.com
debashis.dey@sparcmail.com
secretarial@sparcmail.com

For and on behalf of the Board

DILIP S. SHANGHVI

Chairman & Managing Director

Mumbai, 5th May, 2015

ANNEXURE TO CORPORATE GOVERNANCE FOR THE YEAR ENDED 31st MARCH, 2015

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: 5th May, 2015

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

TO THE MEMBERS OF SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

We have examined the compliance of the conditions of Corporate Governance by **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** (“the Company”) for the year ended on 31st March, 2015, as stipulated in Clause 49 of the Listing agreements of the said company with relevant stock exchanges (hereinafter referred to as Clause 49).

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to 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 LLP
Chartered Accountants
(Firm’s Registration No.117366W/W-100018)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

Mumbai, 5th May, 2015

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, 2015, the Statement of Profit and Loss, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on

Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

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, of the state of affairs of the Company as at 31st March, 2015, and its loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 42 to the financial statements relating to managerial remuneration paid which is in excess of the limits approved by the Central Government to the extent of Rs. 214.45 lakhs (for the year Rs.14.79 lakhs). In this regard, the Company

INDEPENDENT AUDITORS REPORT

has made further representations to the Central Government, the response in respect of which is awaited.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and 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 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2015 taken on record by the Board of Directors, none of the directors

is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164(2) of the Act.

- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements included in Note no. 26 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

Rajesh K. Hiranandani

Partner

(Membership No. 36920)

MUMBAI, 5th May, 2015

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)

Having regard to the nature of the Company's business / activities / results during the year, clauses v, vi and xi of paragraph 3 of the Order are not applicable to the Company.

- (i) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (ii) 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 R&D Materials, in our opinion, the Company has generally maintained proper records of its R&D Materials.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- (iv) 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 items purchased which are of special nature, in the absence of similar transactions with other parties or suitable alternative sources are 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 purchases of R&D Materials 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.

- (v) 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, Value Added Tax and other material statutory dues applicable to it with the appropriate authorities. Having regard to the nature of the Company's business / activities / results, statutory dues in respect of Excise Duty are not applicable to the Company.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Value Added tax and other material statutory dues in arrears as at 31st March, 2015 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax which have not been deposited as on 31st March, 2015 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)
Income Tax Act, 1961	Income tax and Interest	Commissioner of Income Tax (Appeals)	Assessment Year:- 2011-2012	1,812.11
Central Sales Tax, 1956	Central Sales Tax, Interest & Penalty	Joint Commissioner of Commercial Tax - Vadodara	Assessment Years:- 2010-2011 and 2011-2012	44.75
Gujarat Value Added Tax Act, 2002	Penalty	Joint Commissioner of Commercial Tax - Vadodara	Assessment Year:- 2011-2012	0.10

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)

- There are no dues of Wealth Tax, Service Tax, and Customs Duty which have not been deposited as on 31st March, 2015 on account of disputes.
- (d) There are no amounts that are due to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and Rules made thereunder.
- (vi) 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 during the current financial year but has not incurred any cash loss during the immediately preceding financial year.
- (vii) 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.
- (viii) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- (ix) 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 LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 5th May, 2015

Balance Sheet as at 31st March, 2015

₹ in Lakhs

	Note No.	As at 31st March, 2015	As at 31st March, 2014
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	2,366.83	2,366.80
Reserves and Surplus	2	7,613.03	11,563.07
		9,979.86	13,929.87
Non-current Liabilities			
Long-term Borrowings	3	327.14	381.66
Deferred Tax Liabilities (Net)	4	-	-
Other Long-term Liabilities	5	7.86	15.72
Long-term Provisions	6	237.33	147.68
		572.33	545.06
Current Liabilities			
Short-term Borrowings	7	39.55	82.37
Trade Payables	8	2,701.07	2,974.63
Other Current Liabilities	9	897.51	757.62
Short-term Provisions	10	76.65	64.35
		3,714.78	3,878.97
TOTAL		14,266.97	18,353.90
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible Assets	11	6,679.11	6,448.82
Capital Work-in-Progress		2.41	76.10
		6,681.52	6,524.92
Long-term Loans and Advances	12	1,262.30	759.99
Other Non-current Assets	13	29.68	57.34
		7,973.50	7,342.25
Current Assets			
Current Investments	14	-	650.02
Trade Receivables	15	1,988.68	2,799.89
Cash and Cash Equivalents	16	1,734.41	655.51
Short-term Loans and Advances	17	2,542.52	6,493.91
Other Current Assets	18	27.86	412.32
		6,293.47	11,011.65
TOTAL		14,266.97	18,353.90
See accompanying notes forming part of the Financial Statements			

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

MEETAL S. SAMPAT
Company Secretary

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2015

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director and Chief Financial Officer

Dr. T. RAJAMANNAR
Director
Mumbai, 5th May, 2015

Statement of Profit and Loss for the year ended 31st March, 2015

₹ in Lakhs

	Note No.	Year ended 31st March, 2015	Year ended 31st March, 2014
Revenue from Operations	19	15,573.75	16,702.97
Other Income	20	303.40	1,000.30
Total Revenue		15,877.15	17,703.27
Expenses			
Cost of Materials Consumed	21	1,009.65	800.79
Employee Benefits Expense	22	4,579.27	4,039.72
Clinical Trials and Professional Charges		11,061.30	5,273.71
Finance Costs	23	21.83	559.73
Depreciation Expense (Refer Note 29)	11	723.96	357.23
Other Expenses	24	2,433.14	3,239.67
Total Expenses		19,829.15	14,270.85
Profit / (Loss) Before Tax		(3,952.00)	3,432.42
Tax Expense - Current Tax		-	400.00
Profit / (Loss) for the Year		(3,952.00)	3,032.42
Earnings / (Loss) per Share			
Basic (₹)	36	(1.67)	1.28
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 LLP
Chartered Accountants

MEETAL S. SAMPAT
Company Secretary

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2015

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director and Chief Financial Officer

Dr. T. RAJAMANNAR
Director
Mumbai, 5th May, 2015

Cash Flow Statement for the year ended 31st March, 2015

₹ in Lakhs

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
A. Cash Flow From Operating Activities:		
Profit / (Loss) before Tax	(3,952.00)	3,432.42
<u>Adjustments for:</u>		
Depreciation Expense	723.96	357.23
Loss on Sale of Fixed Assets	2.39	1.91
Finance Costs	21.83	559.73
Interest Income	(275.91)	(389.98)
Gain on Sale of Current Investments	(22.38)	(463.51)
Sundry Balances (Written Back) (Net)	-	(0.21)
Amortisation of Share Issue Expenses	27.86	27.86
Unrealised Foreign Exchange Gain (Net)	(4.49)	(2.84)
	<u>473.26</u>	<u>90.19</u>
Operating Profit / (Loss) Before Working Capital Changes	(3,478.74)	3,522.61
Changes in Working Capital:		
Adjustment for (Increase) / Decrease in Operating Assets:		
Long-term Loans and Advances	(297.27)	51.70
Trade Receivables	811.48	(326.41)
Short-term Loans and Advances	(1,048.61)	(489.02)
Other Current Assets	384.46	(225.23)
Adjustment for Increase / (Decrease) in Operating Liabilities:		
Long-term Provisions	89.65	(24.87)
Trade Payables	(273.40)	1,729.58
Other Current Liabilities	106.39	368.55
Short-term Provisions	12.30	(104.37)
	<u>(215.00)</u>	<u>979.93</u>
Net Cash from / (used in) Operations	(3,693.74)	4,502.54
Net Income Tax paid	(263.85)	(812.99)
Net Cash Flow from / (used in) Operating Activities (A)	(3,957.59)	3,689.55
B. Cash Flow From Investing Activities :		
Capital Expenditure on Fixed Assets, including Capital Advances	(809.49)	(367.40)
Proceeds from Sale of Fixed Assets	18.47	7.47
Bank Balances not considered as Cash and Cash Equivalents		
- Margin Money Deposits placed	(16.64)	(666.04)
- Margin Money Deposits matured		650.58
Inter Corporate Deposits placed	-	(10,000.00)
Inter Corporate Deposits matured	5,000.00	5,000.00
Current Investments not considered as Cash and Cash Equivalents		
- Purchased	(3,850.00)	(58,857.95)
- Proceeds from sale	4,522.40	68,362.03
Interest Received on Bank Deposits and Others	275.91	230.75
Net Cash Flow from / (used in) Investing Activities (B)	5,140.65	4,359.44

₹ in Lakhs

Particulars	Year ended 31st March, 2015	Year ended 31st March, 2014
C. Cash Flow From Financing Activities:		
Repayment of Long-term Borrowings	(54.52)	(54.52)
Net (Decrease) / Increase in Working Capital Borrowings from a Bank	(42.81)	(130.08)
Proceeds from Short-term Borrowings	-	3,110.00
Repayment of Short-term Borrowings	-	(10,160.00)
Proceeds from Issue of Equity Shares on Rights basis	2.03	54.39
Finance Costs	(30.64)	(903.36)
Net Cash Flow (used in) / from Financing Activities (C)	(125.94)	(8,083.57)
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	1,057.12	(34.58)
Cash and Cash equivalents at the beginning of the year	0.95	32.63
Effect of Exchange Differences on Restatement of Foreign Currency Cash and Cash Equivalents	5.35	2.90
Cash and Cash equivalents at the end of the year	1,063.42	0.95
(Refer Note 16)		

Notes:

- 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 specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013.
- Previous year's figure have been regrouped / reclassified wherever necessary and rounded off to Lakhs with two decimal points to correspond with the current year's classification / disclosure.

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

MEETAL S. SAMPAT
Company Secretary

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2015

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director and Chief Financial Officer

Dr. T. RAJAMANNAR
Director
Mumbai, 5th May, 2015

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

	As at 31st March, 2015		As at 31st March, 2014	
	Number of Equity Shares	₹ in Lakhs	Number of Equity Shares	₹ in Lakhs
1 Share Capital				
Authorised	266,500,000.00	2,665.00	266,500,000.00	2,665.00
Equity Shares of ₹ 1 each				
	<u>266,500,000.00</u>	<u>2,665.00</u>	<u>266,500,000.00</u>	<u>2,665.00</u>
Issued, Subscribed and Fully Paid Up (Refer Note 28)				
Equity Shares of ₹ 1 each	236,704,447.00	2,367.04	236,704,447.00	2,367.04
Less: Calls unpaid		0.21		0.24
	<u>236,704,447.00</u>	<u>2,366.83</u>	<u>236,704,447.00</u>	<u>2,366.80</u>

	As at		As at	
	31st March, 2015		31st March, 2014	
2 Reserves and Surplus				
Securities Premium Account				
Opening Balance	19,512.14		19,458.56	
Add : Premium on shares issued (Refer Note 28 (iv))	1.96		53.58	
Closing Balance		19,514.10		19,512.14
General Reserve				
As per Last Balance Sheet		3,397.66		3,397.66
Deficit in Statement of Profit and Loss				
Opening Balance	(11,346.73)		(14,379.15)	
Add: Profit / (Loss) for the Year	(3,952.00)		3,032.42	
Closing Balance		(15,298.73)		(11,346.73)
		<u>7,613.03</u>		<u>11,563.07</u>
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 7 (Previous Year 8) Annual Installments of ₹ 54.52 Lakhs each. Last installment is due on 1st September, 2021].		327.14		381.66
For the current maturities of long term borrowings refer Note 9 Other Current Liabilities.				
		<u>327.14</u>		<u>381.66</u>
4 Deferred Tax Liabilities (Net)				
Deferred Tax Liability				
Depreciation on Fixed Assets		2,061.80		1,974.98
Less:				
Deferred Tax Assets				
Provision for Employee Benefits	108.71		72.07	
Unabsorbed Business Losses / Capital Expenditure (Restricted to the extent of deferred tax liability on depreciation on account of uncertainty of future taxable income) (Refer Note 32)	1,953.09		1,902.91	
		<u>2,061.80</u>		<u>1,974.98</u>
		-		-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

₹ in Lakhs

	As at 31st March, 2015		As at 31st March, 2014	
5 Other Long-term Liabilities				
Interest Accrued but not Due on Borrowings		7.86		15.72
		<u>7.86</u>		<u>15.72</u>
6 Long-term Provisions				
Provision for Employee Benefits - Compensated Absences		237.33		147.68
		<u>237.33</u>		<u>147.68</u>
7 Short-term Borrowings				
Loans Repayable on Demand - From Banks				
Bank Overdraft Facility (Unsecured)		-		59.94
Cash Credit Facility (Secured by Lien on Margin Money Deposits)	39.55	39.55	22.43	82.37
		<u>39.55</u>		<u>82.37</u>
8 Trade Payables				
Due to Micro and Small Enterprises (Refer Note 34)		-		-
Others		2,701.07		2,974.63
		<u>2,701.07</u>		<u>2,974.63</u>
9 Other Current Liabilities				
Current Maturities of Long-term Debt - Unsecured Term Loan from DST		54.52		54.52
Interest Accrued but not Due on Borrowings		14.54		15.49
Unclaimed excess Share Application Money		1.20		1.16
Other Payables				
Statutory Remittances	231.90		526.11	
Payables on Purchase of Fixed Assets (Refer Note 34)	66.94		33.82	
Contractually Reimbursable Expenses (Refer Note 34)	492.01		98.02	
Security Deposits Received	36.40		28.50	
		<u>827.25</u>		<u>686.45</u>
		<u>897.51</u>		<u>757.62</u>
10 Short-term Provisions				
Provision for Employee Benefits				
Provision for Compensated Absences		76.65		64.35
		<u>76.65</u>		<u>64.35</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

11 Fixed Assets

₹ in Lakhs

Description of Assets	Gross Block (At Cost)				Accumulated Depreciation			Net Block		
	As at 1st April 2014	Additions during the year	Deductions during the year	As at 31st March, 2015	As at 1st April 2014	For the year**	On Deductions during the year	As at 31st March, 2015	As at 31st March, 2015	As at 31st March, 2014
Tangible Assets										
Buildings*	2,122.58	1.62	-	2,124.20	288.79	35.50	-	324.29	1,799.91	1,833.79
	(2,113.38)	(9.20)	-	(2,122.58)	(254.30)	(34.49)	-	(288.79)	(1,833.79)	(1,859.08)
Plant and Equipment	6,200.55	861.29	0.08	7,061.76	1,848.17	629.67	0.01	2,477.83	4,583.93	4,352.38
	(6,023.84)	(176.71)	-	(6,200.55)	(1,554.68)	(293.49)	-	(1,848.17)	(4,352.38)	(4,469.16)
Furniture and Fixtures	99.19	6.33	-	105.52	32.03	13.36	-	45.39	60.13	67.16
	(93.84)	(5.35)	-	(99.19)	(26.34)	(5.69)	-	(32.03)	(67.16)	(67.50)
Vehicles	275.73	105.86	35.55	346.04	80.24	45.43	14.77	110.90	235.14	195.49
	(225.68)	(69.25)	(19.20)	(275.73)	(66.50)	(23.56)	(9.82)	(80.24)	(195.49)	(159.18)
TOTAL	8,698.05	975.10	35.63	9,637.52	2,249.23	723.96	14.78	2,958.41	6,679.11	6,448.82
Previous Year	(8,456.74)	(260.51)	(19.20)	(8,698.05)	(1,901.82)	(357.23)	(9.82)	(2,249.23)	(6,448.82)	

* Pending registration

** Refer note 29

Previous Year figures are in brackets

₹ in Lakhs

	As at 31st March, 2015	As at 31st March, 2014
12 Long-term Loans and Advances (Unsecured - Considered Good)		
Capital Advances	10.27	69.08
Advances for Supply of Goods and Services	302.92	-
Loans and Advances to Employees	76.74	80.24
Prepaid Expenses	7.63	9.78
Security Deposits	0.11	0.11
Advance Income Tax [Net of Provisions ₹ 400.00 Lakhs (Previous Year ₹ 400.00 Lakhs)]	864.63	600.78
	1262.30	759.99
13 Other Non-current Assets		
Unamortised Share Issue Expenses [Refer Note 25(xv)]	27.86	55.72
Balances held as Margin Money with Bank against Guarantees	1.82	1.62
	29.68	57.34
14 Current Investments (At lower of cost and fair value)		
In Mutual Funds - Unquoted (Fully Paid up)		
Nil (Previous Year 32,261) Units of Face Value of ₹ 1,000 each in SBI Mutual Fund - LD72SG SBI Premier Liquid Fund - Direct Plan - Growth	-	650.02
	-	650.02
15 Trade Receivables (Unsecured - Considered Good)		
Outstanding exceeding Six Months from the date they are due for payment	4.37	-
Other Trade Receivables	1,984.31	2,799.89
	1,988.68	2,799.89

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

₹ in Lakhs

	As at 31st March, 2015	As at 31st March, 2014
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	1.55	0.41
Balances with Banks		
In Current Accounts	321.55	0.54
In EEFC Accounts	740.32	-
	<u>1,061.87</u>	<u>0.54</u>
	<u>1,063.42</u>	<u>0.95</u>
Other Bank balances		
Balances held as Margin Money against Guarantees [includes deposits of ₹ 1.75 Lakhs (Previous Year ₹ 3.72 Lakhs) having original maturity of more than 12 months]	669.84	653.40
In Earmarked Accounts		
Share Application money Refund Account	1.15	1.16
	<u>1,734.41</u>	<u>655.51</u>
17 Short-term Loans and Advances		
(Unsecured – Considered Good)		
Loans and Advances to Employees	92.17	85.09
Prepaid Expenses	115.40	159.89
Balances with Government Authorities	2,173.13	881.69
Inter Corporate Deposits	-	5,000.00
Advances for Supply of Goods and Services	161.82	367.24
	<u>2,542.52</u>	<u>6,493.91</u>
18 Other Current Assets		
(Unsecured – Considered Good)		
Unamortised Share Issue Expenses [Refer Note 25(xv)]	27.86	27.86
Interest Accrued on Inter Corporate Deposits	-	159.23
Cenvat credit available on payment	-	225.23
	<u>27.86</u>	<u>412.32</u>

₹ in Lakhs

	Year ended 31st March, 2015	Year ended 31st March, 2014
19 Revenue from Operations		
Sale of Products - Technology / Know-how	291.22	2,727.76
Sale of Services - License Fees / Royalty on Technology / R&D Services	15,282.53	13,975.21
	<u>15,573.75</u>	<u>16,702.97</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

₹ in Lakhs

	Year ended 31st March, 2015	Year ended 31st March, 2014
20 Other Income		
Interest on:		
Deposits with Banks	58.60	56.80
Inter Corporate Deposits	197.09	316.84
Loans and Advances to Employees	10.22	13.74
Income Tax Refund	10.00	-
Others	-	2.60
	275.91	389.98
Gain on Sale of Current Investments	22.38	463.51
Net Gain on Foreign Currency Transactions and Translation	-	140.57
Sundry Balances Written Back (Net)	-	0.21
Insurance Claims	5.10	6.00
Miscellaneous Income	0.01	0.03
	303.40	1,000.30
21 Cost of Materials Consumed		
R&D Materials Consumed	1,009.65	800.79
	1,009.65	800.79
22 Employee Benefits Expense		
Salaries and Wages	3,923.75	3,562.22
Contribution to Provident and Other Funds	263.82	182.53
Staff Welfare Expenses	391.70	294.97
	4,579.27	4,039.72
23 Finance Costs		
Interest Expense on:		
Borrowings	21.83	559.73
	21.83	559.73
24 Other Expenses		
Consumption of Stores and Spare Parts	358.66	344.33
Power and Fuel	478.01	395.07
Rates and Taxes	14.11	34.83
Rent (Refer Note 39)	12.12	12.12
Insurance	31.25	15.33
Repairs		
Building	13.85	10.89
Machinery	215.96	309.14
Others	18.76	10.39
	248.57	330.42
Printing and Stationery	37.95	41.26
Travelling and Conveyance	367.15	200.93
Professional Fees	147.17	11.24
Communication	43.21	64.08
Loss on Sale of Fixed Assets	2.39	1.91
License and Fees	139.94	1,441.50

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

₹ in Lakhs

	Year ended 31st March, 2015	Year ended 31st March, 2014
Labour Charges	178.98	143.62
Maintenance Charges	27.54	25.40
Membership Fees and Subscription	18.69	17.42
Net Loss on Foreign Currency Transactions and Translation	10.17	-
Payments to Auditors (Net of Service Tax)		
As Auditors	8.00	7.00
For Other Services*	3.00	2.75
Reimbursement of Expenses	0.15	0.06
Software Expenses	24.94	23.25
Amortisation of Share Issue Expenses	27.86	27.86
Miscellaneous Expenses	253.28	99.29
	2,433.14	3,239.67

25 Significant Accounting Policies

i Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") / Companies Act, 1956 ("the 1956 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

ii Use of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles in India 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. Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on fixed assets has been provided on the Straight Line Method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Assets costing ₹ 5,000/- or less are charged off as expense in the year of purchase.

iv Leases

Lease rental for assets taken on operating lease are recognised in the Statement of Profit and Loss on a straight line basis over the period of lease.

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 Intangible assets under development, 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 Intangible assets under development is charged off to the Statement of Profit and Loss.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

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 the value of such investments.

viii Foreign Currency Transactions

Initial recognition

"Transactions in foreign currencies entered into by the Company are accounted at the exchange rate prevailing on the date of the transaction or at rate that closely approximate the rate at the date of the transaction."

"Measurement at the balance sheet date"

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Accounting for forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in which such cancellation or renewal is made.

ix Derivative Accounting

Derivative contracts in the nature of currency forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions in foreign currency which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign currency transactions and translations."

All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

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. Minimum Alternate Tax (MAT) credit entitlement available under the Income Tax Act, 1961 is recognised to the extent that there is convincing evidence that the Company will pay normal income tax during the specified future period. The Company reviews the carrying amount of MAT credit entitlement at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence that Company will pay normal income tax during the specified future period. Deferred tax resulting from "timing differences" between taxable and accounting income that originate in one period and are capable of being reversed in one or more subsequent period 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 capital expenditure 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

Employee benefits include provident fund, employee state insurance scheme, gratuity, and compensated absences.

Defined contribution plans.

The Company's contribution to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Long-term employee benefits.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date ascertained on actuarial basis by an independent valuer and provided as per company's rules.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Gratuity

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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 uncertain 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.

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.

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

		₹ in Lakhs	
		As at 31st March, 2015	As at 31st March, 2014
i	Contingent Liabilities		
	a) Guarantees given by the bankers against License Scheme	201.17	430.20
	b) Disputed demands by Income Tax Authorities	1,812.11	-
	c) Disputed demands by Sales Tax Authorities	51.15	-
	Amount paid under protest is classified under short term loans & advances	6.30	-
	Future cash outflows in respect of the above matters are determinable only on receipt of judgements/decisions pending at various forums/authorities. The company does not expect the outcome of the matters stated above to have material adverse impact on the Company's financial condition, results of operation or cash flows. The company doesn't envisage any likely reimbursement in respect of the above.		
ii	Commitments		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	117.29	104.55

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

27 Status of Utilisation of rights issue proceeds:

₹ in Lakhs

Particulars	Total Projected utilisation	Projected utilisation up to 31.03.2015	Actual utilisation upto 31.03.2015	Projected utilisation for the year 31.03.2015	Actual utilisation for the year ended 31.03.2015
Any Research and Development activities / expenses *	10,298.20	10,298.20	10,301.98	5,158.70	5,159.78
	(10,298.20)	(5,139.50)	(5,142.20)	(4,375.64)	(4,375.64)
Repayment of identified loans availed from Group Entities	6,100.00	6,100.00	6,100.00	-	-
	(6,100.00)	(6,100.00)	(6,100.00)	-	-
General corporate purposes	3,255.80	3,255.80	3,255.80	-	-
	(3,255.80)	(3,255.80)	(3,255.80)	-	-
Issue expenses	170.00	170.00	152.00	-	-
	(170.00)	(170.00)	(152.00)	-	-
Funds utilised	19,824.00	19,824.00	19,809.78	5,158.70	5,159.78
	(19,824.00)	(14,665.30)	(14,650.00)	(4,375.64)	(4,375.64)
Un-utilised rights issue proceeds	-	-	-	-	-
	-	(5,158.70)	(5,157.78)	-	-
	19,824.00	19,824.00	19,809.78	5,158.70	5,159.78
	(19,824.00)	(19,824.00)	(19,807.78)	(4,375.64)	(4,375.64)
Calls unpaid	-	-	14.22	-	-
	-	-	(16.22)	-	-
Total	19,824.00	19,824.00	19,824.00	5,158.70	5,159.78
Previous Year Total	(19,824.00)	(19,824.00)	(19,824.00)	(4,375.64)	(4,375.64)

* Revised from 'Pharmaceutical research and development activities - Clinical trials' in terms of resolution passed by shareholders at the Annual General Meeting held on July 30, 2013. Given the highly unpredictable nature of the Company's business of Pharmaceutical Research and Development, the actual utilisation of the funds varies from the projections.

Previous year figures are in brackets

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 no shareholder who has not paid call money on his/her shares shall 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, 2015		As at 31st March, 2014	
	No. of Equity Shares held	% of Holding	No. of Equity Shares held	% of Holding
Dilip Shantilal Shanghvi	26,809,395	11.33%	26,809,395	11.33%
Viditi Investment Private Limited	23,555,458	9.95%	23,555,458	9.95%
Tejaskiran Pharmachem Industries Private Limited	23,122,598	9.77%	23,122,598	9.77%
Quality Investments Private Limited	22,735,998	9.61%	22,735,998	9.61%
Family Investments Private Limited	22,578,841	9.54%	22,578,841	9.54%
Virtuous Share Investment Private Limited	11,968,080	5.06%	11,968,080	5.06%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

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

Equity Shares of ₹ 1 each	As at 31st March, 2015		As at 31st March, 2014	
	No. of Equity Shares	₹ in Lakhs	No. of Equity Shares	₹ in Lakhs
Opening Balance	236,704,447	2,366.80	236,704,447	2,365.99
Add: Shares Issued during the year	-	-	-	-
Add: Unpaid Call received during the year	-	0.03	-	0.81
Closing Balance	236,704,447	2,366.83	236,704,447	2,366.80

- iv During the year ended 31st March 2013, the Company had 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 52,677 (Previous Year 60,071) equity shares, calls has remained unpaid towards equity share capital @ ₹ 0.40 per equity share aggregating to ₹ 0.21 Lakhs (Previous Year ₹ 0.24 Lakhs) reduced from Share Capital in Note 1 above and towards securities premium @ ₹ 26.60 per equity share aggregating to ₹ 14.02 Lakhs (Previous Year ₹ 15.98 Lakhs).

- 29 During the year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Company revised the estimated useful life of some of its assets to align with the useful life with those specified in Schedule II.

Pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Company has fully depreciated the carrying value of assets, net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of ₹ 34.48 Lakhs in the Statement of Profit and Loss.

The depreciation expense in the Statement of Profit and Loss for the year is higher by ₹ 289.35 Lakhs consequent to the change in the useful life of the assets.

30 Information Relating to Consumption of Materials

	Year ended 31st March, 2015		Year ended 31st March, 2014	
	%	₹ in Lakhs	%	₹ in Lakhs
Imported and indigenous				
R & D Materials Consumed				
Imported	27.65	279.12	37.40	299.46
Indigenous	72.35	730.53	62.60	501.33
Total	100.00	1,009.65	100.00	800.79

31 Income / Expenditure in Foreign Currency

	Year ended 31st March, 2015	Year ended 31st March, 2014
Income		
Sale of Products - Technology / Know-how	245.98	2,622.57
Sale of Services - License Fees / Royalty on Technology / R&D Services	12,228.10	10,327.15
Expenditure		
R & D Materials Consumed (CIF basis)	278.38	239.36
Capital Goods (CIF basis)	581.80	77.37
Spare and Components (CIF basis)	114.84	220.63
Clinical Trials and Professional charges	8,868.73	4,821.79
Travel Expenses	115.51	41.94
Licence and Fees	-	1,435.19
Others	591.28	77.53

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

32 The timing differences mainly relating to unabsorbed capital expenditure and carried forward losses under the Income Tax Act, 1961, results in a deferred tax asset as per Accounting Standard 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 ₹ 4081.82 Lakhs (Previous Year ₹ 4129.92 Lakhs) in relation to the above has not been recognised in the financial statements as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

33 The net exchange gain / (loss) included under Revenue from Operations, Other Income, Cost of Materials Consumed and Other Expenses in the Statement of Profit and Loss aggregates (₹ 11.27 Lakhs) (Previous Year ₹ 523.64 Lakhs).

34 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.

35 Accounting Standard (AS-17) on Segment Reporting

i Primary Segment

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

	Year ended 31st March, 2015	Year ended 31st March, 2014
	₹ in Lakhs	₹ in Lakhs
ii Secondary Segment (by Geographical Segment)		
Within India	3,099.67	3,753.25
Outside India	12,474.08	12,949.72
Total Revenue from Operations	15,573.75	16,702.97

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

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

	Year ended 31st March, 2015	Year ended 31st March, 2014
Profit / (Loss) used as Numerator for calculating Earnings per Share (₹ in Lakhs)	(3,952.00)	3,032.42
Weighted Average number of Shares used in computing basic earnings per share	236,681,814	236,655,848
Nominal / Face Value Per Share (in ₹)	1.00	1.00
Basic Earnings / (Loss) Per Share (in ₹)	(1.67)	1.28

37 As per the best estimate of the management, no provision is required to be made as per Accounting Standard - 29 on "Provisions, Contingent Liabilities and Contingent Assets" 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.

38 Disclosure with respect to Accounting Standards-18 on "Related Party Disclosures" is as per Annexure - "A" annexed.

39 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, 2015

40 Details of Unhedged Foreign Currency Exposures

- i During the year Company had not entered into any forward foreign currency contracts.

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

in Lakhs

	Currency	As at 31st March, 2015		As at 31st March, 2014	
		Foreign Currency	Rupee (₹)	Foreign Currency	Rupee (₹)
Amounts receivable in foreign currency on account of the following :					
Sale of Products - Technology / Know-how	US Dollar	-	-	1.60	96.00
Sale of Services - License Fees / Royalty on Technology	US Dollar	26.54	1,658.48	30.21	1,812.88
Amounts payable in foreign currency on account of the following :					
Reimbursement of Expenses	Euro	7.32	492.01	1.19	98.02
Import of Goods and Services	US Dollar	22.75	1,421.59	23.75	1,424.77
	AUD	0.01	0.61	0.03	1.44
	CAD	0.01	0.61	0.08	4.50
	CHF	0.07	4.77	0.03	2.13
	Euro	0.62	41.55	1.10	90.59
	GBP	0.02	2.27	0.15	14.93
	JPY	2.90	1.51	18.84	11.01
	SEK	0.45	2.90	-	-
	NZD	0.00	0.20	-	-
	SGD	-	-	0.01	0.27

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

41 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 ₹ 188.21 Lakhs (Previous Year ₹ 165.71 Lakhs) is included in contribution to Provident and Other funds in Note 22.

₹ in Lakhs

	Year ended 31st March, 2015	Year ended 31st March, 2014
Contribution to Provident and Family Pension Fund	185.14	164.16
Contribution to Employees State Insurance Scheme (E.S.I.C.)	0.90	0.64
Contribution to Labour Welfare Fund	0.03	0.02
Contribution to Employee Deposit Linked Insurance (E.D.L.I.)	2.14	0.89

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 ₹ 313.98 Lakhs (Previous Year ₹ 212.03 Lakhs) 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.

₹ in Lakhs

	31st March, 2015	31st March, 2014
Disclosure In respect of gratuity (Funded):		
Reconciliation of liability / (asset) recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	656.76	535.45
Fair value of plan assets	692.87	634.45
Net (asset) / liability in the Balance sheet	(36.11)	(99.00)
Movement in net liability / (asset) recognised in the Balance sheet		
Net liability as at beginning of the year	(99.00)	120.52
Net expense recognised in the Statement of Profit and Loss	72.89	13.50
Employees transferred to the Company	-	42.06
Employees transferred from the Company	-	(128.39)
Contribution during the year	(10.00)	(146.69)
Net (asset) / liability as at the end of the year	(36.11)	(99.00)
Expense recognised in the Statement of Profit and Loss		
Current service cost	41.35	46.71
Interest cost	(9.22)	46.66
Expected return on plan assets	(59.07)	(36.71)
Actuarial (gain) / loss	40.77	(43.16)
Expense charged to the Statement of Profit and Loss	13.83	13.50
Return on plan assets		
Expected return on plan assets	59.07	36.71
Actuarial gain	(2.11)	13.98
Actual return on plan assets	56.96	50.69
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	535.45	565.52

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

Current service cost	41.35	46.71
Interest cost	49.84	46.66
Employees transferred to the Company	-	42.06
Employees transferred from the Company	-	(128.39)
Paid benefits	(8.54)	(7.93)
Actuarial (gain) / loss	38.66	(29.18)
Commitments as at the end of the year	656.76	535.45
Reconciliation of plan assets		
Plan assets as at beginning of the year	634.45	445.00
Expected return on plan assets	59.07	36.71
Contributions during the year	10.00	146.69
Paid benefits	(8.54)	(7.93)
Actuarial gain	(2.11)	13.98
Plan assets as at the end of the year	692.87	634.45
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	8.03%	9.31%
Expected return on plan assets	8.03%	9.31%
Expected rate of salary increase	8.00%	7.00%
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

₹ in Lakhs

	Year Ended				
	31st March, 2015	31st March, 2014	31st March, 2013	31st March, 2012	31st March, 2011
Experience adjustment					
On plan liabilities - Loss / (Gain)	(122.27)	30.39	48.43	43.93	14.28
On plan assets - Gain / (Loss)	(2.11)	13.98	8.33	8.05	2.36
Present value of benefit obligation	656.76	535.45	565.52	393.64	313.31
Fair value of plan assets	692.87	634.45	445.00	347.40	258.68
Excess of (obligation over plan assets) / plan assets over obligation	(36.11)	99.00	(120.52)	(46.24)	(54.63)

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.

- 42** "The managerial remuneration paid to the extent of ₹ 199.66 Lakhs during the financial year 2013-14 and ₹ 14.79 Lakhs during the financial year 2014-15 is in excess of the limits approved by the Central Government. In this regard, the Company has made further representations to the Central Government providing the rationale for the remuneration, the response in respect of which is awaited. In case the requisite approval is not received from the Central Government, the excess remuneration paid would be recovered from the Whole-time Director.
- 43** Previous year's figure have been regrouped / reclassified wherever necessary and rounded off to Lakhs with two decimal points to correspond with the current year's classification / disclosure.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31st March, 2015

Accounting Standard (AS-18) “ Related Party Disclosures “

Annexure : ‘A’

Names of related parties and description of relationship

1. Key Management Personnel

Mr. Dilip S. Shanghvi, Chairman & Managing Director

Mr. Sudhir V. Valia, Chief Financial Officer & Director

Dr. T. Rajamannar, Wholetime Director (up to 24th April, 2014) Director (w.e.f. 24th April, 2014)

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

Sun Pharmaceutical Industries Ltd.

Sun Pharma Laboratories Ltd.

Sun Pharma Global FZE

Sun Pharmaceutical Industries Inc. (Formerly known as Caraco Pharmaceutical Laboratories Ltd.)

Alfa Infracorp Pvt. Ltd.

Taro Pharmaceuticals Inc.

Particulars	₹ in Lakhs	
	31st March, 2015	31st March, 2014
Sun Pharmaceutical Industries Ltd		
Sale of Services - License Fees / Royalty on Technology / R&D Services	1,491.86	76.28
Purchase of Goods	154.75	167.22
Rent Paid	12.12	12.12
Interest Expenses	-	537.70
Receiving of Research and Development Services	1,653.31	-
Reimbursement of Expenses	551.65	392.48
Reimbursement of Expenses incurred	2.63	52.37
Loans Received	-	3,110.00
Loans Repaid	-	10,494.10
Outstanding Balance Payable	224.28	608.48
Sun Pharma Laboratories Ltd		
Sale of Services - License Fees / Royalty on Technology	1,562.56	3,571.78
Purchase of Goods	0.32	4.34
Reimbursement of Expenses incurred	0.03	-
Outstanding Balance Receivable	315.13	854.51
Sun Pharma Global FZE		
Sale of Products - Technology / Know-how	245.98	2,622.57
Sale of Services - License Fees / Royalty on Technology	12,228.10	10,327.15
Outstanding Balance Receivable	1,658.48	1,908.88
Sun Pharmaceutical Industries Inc.		
Reimbursement of Expenses	326.93	3.02
Purchase of Goods / Product Development charges	-	44.13
Outstanding Balance Payable	317.59	45.23
Taro Pharmaceuticals Inc.		
Purchase of Goods	0.41	3.60
Outstanding Balance Payable	0.41	3.60
Alfa Infracorp Pvt. Ltd.		
Sale of Vehicle	4.04	-
Remuneration to Key Managerial Personnel		
Remuneration - Wholetime Director (Refer Note 42)	21.84	341.27
Interest on Salary Advances	-	0.28
Outstanding Balance - Remuneration Payable - Wholetime Director	-	59.40

Annexure to Directors Report

INFORMATION REQUIRED UNDER SECTION 197 OF THE ACT READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

- (i) Ratio of the remuneration* of each director to the median remuneration of the employees of the company for the financial year and the :

Name of Director	Ratio of remuneration of each Director/ to median remuneration of employees
Mr. Dilip Shanghvi	N.A
Mr. Sudhir V. Valia	0.18
Mr. T Rajamannar	3.52
Mr. S Mohanchand Dadha	0.58
Prof. Dr. Goverdhan Mehta	0.85
Prof. Dr. Andrea Vasella	0.85
Ms. Bhavna Doshi	0.25

* Remuneration includes sitting fees paid

- (ii) Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year

Name & Designation of Director & KMP	% increase in Remuneration in the Financial Year 2014-15
Mr. Dilip Shanghvi	
(Chairman & Managing Director)	Nil
Mr. Sudhir V. Valia	
(Director & CFO)	(50%)*
Mr. T Rajamannar	
(Director)	(93.12%)**
Mr. S Mohanchand Dadha	
(Non-Executive Independent Director)	21.88%
Prof. Dr. Goverdhan Mehta	
(Non-Executive Independent Director)	1.79%
Prof. Dr. Andrea Vasella	
(Non-Executive Independent Director)	1.79%
Ms. Bhavna Doshi	
(Non-Executive Independent Director)	N.A
Ms. Meetal Sampat	
(Company Secretary)	24%

* Appointed as an executive Director without any remuneration w.e.f. 31st July 2014

** Ceased to be an executive Director w.e.f: 24th April 2014

- (iii) the percentage increase in the median remuneration of employees in the financial year (Median -2014/Median 2013)

17.48%

- (iv) the number of permanent employees on the rolls of company as on 31st March 2015:

331

- (v) the explanation on the relationship between average increase in remuneration and company performance:

The Company, being a pure research & development Company, invests in quality human capital and the remuneration paid/increment given by it to the employees is governed by its objective to attract & retain best talents and is not related to the financial performance of the Company.

- (vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

(Rs. In Lakhs)

Aggregate remuneration of Key Managerial Personnel in FY 2014-15	35.30
Total Revenue of the Company in FY 2014-15	15877.15
Remuneration of KMP (as % of revenue)	0.22%

* Remuneration paid to Mr. T Rajamannar during his tenure as Whole-time Director (upto 24th April 2014) only has been considered.

- (vii) Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year

(Rs. in Lakhs)

Particulars	As on 31st March 2014	As on 31st March 2015	% change
Market Capitalisation	344760.03	1164704.23	237.83%
PE ratio	113.79	(294.64)	(358.94%)

- (viii) Percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer the variations in the net worth of the company as at the close of the current financial year and previous financial year:

Particulars	Market Price as on 31st March 2015	Rights Issue 2012	% change
BSE	491.90	67	634.18%
NSE	492.05	67	634.40%

- (ix) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Average percentage increase in salary of employees other than managerial personnel: 17.48%

Average percentage increase in salary of managerial personnel: 12%*

(Mr. T Rajamannar' remuneration has not been considered since he ceased to be a whole-time Director w.e.f: 24th April 2014)

- (x) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

(Rs. in Lakhs)

	Mr. T Rajamannar*	Ms. Meetal Sampat
Remuneration of Key Managerial Personnel in FY 2014-15	21.00	14.30
Total Revenue of the Company in FY 2014-15	15877.15	
Remuneration of KMP (as % of revenue)	0.13%	0.09%

* Remuneration paid to Mr. T Rajamannar during his tenure as Whole-time Director (upto 24th April 2014) only has been considered.

- (xi) Key parameters for any variable component of remuneration availed by the directors;

There were no variable component in the remuneration drawn by Mr. T Rajamannar during his tenure as the Executive Director of the Company. Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V Valia, Director & CFO does not draw any remuneration from the Company.

- (xii) Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;

Not Comparable since Mr. T Rajamannar ceased to be an Executive Director of the Company w.e.f 24th April 2015 and Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V Valia, Director & CFO does not draw any remuneration from the Company.

- (xiii) It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

Annexure to Directors' Report

Name	Age	Designation	Date of	Qualifications	Experience	Gross	Last Employment
	Years		Employment		Years	Remuneration	
Employed throughout the year							
Information of employees drawing remuneration of Rs. 60,00,000 and more in aggregate per year as required under section 197 (12) of the Companies Act, 2013 read with rule 5(2) & (3) of the Companies (Appointment & Remuneration of Manegerial Personnel) Rules, 2014 for the year ended 31st March, 2015.							
Bhowmik Shravanti S	43	AVP-Clinical Research	01.01.2009	M.D., MBBS	11	6591000	Sun Pharmaceutical Industries Limited, DGM-Clinical Research
Chitturi T R	56	Sr.Vice President - R & D (Org Syn)	01.03.2007	M.Sc. Ph.D.	34	15602018	Sun Pharmaceutical Industries Limited, VP-R&D (ORG SYN)
Dharmadhikari Nitin. B.	54	Sr.Vice President - R & D (Form Dev)	01.03.2007	M.Pharm. Ph.D.	27	17853604	Sun Pharmaceutical Industries Limited, VP - R & D (FORM DEV)
Khopade Ajay J.	45	Vice President- R & D (Form Dev)	01.03.2007	MPharm, Ph.D	21	10088776	Sun Pharmaceutical Industries Limited, GM-R&D (FORM DEV)
Lakkad Narendra B	46	AVP-Business Devlopment	01.01.2014	Mpharm.	24	6671671	Sun Pharmaceutical Industries Limited, SR GM-BUS DEV
Murty K.V.S.N.	49	General Manager - R & D (ORG SYN)	01.03.2007	M.Tech., M.Sc. Ph.D.	15	6840278	Sun Pharmaceutical Industries Limited, SR MGR-R&D (ORG SYN)
Zala Yashoraj R	46	Vice President - R & D (Form Dev)	01.03.2007	M.Pharm, Ph.D	18	9164247	Sun Pharmaceutical Industries Limited, DGM-R&D (FORM DEV)
Employed for a part of the year.							
Information of employees drawing remuneration of Rs.5,00,000 and more in aggregate per month as required under section 197 (12) of the Companies Act, 2013 read with rule 5(2) & (3) of the Companies (Appointment & Remuneration of Manegerial Personnel) Rules, 2014 for a part of the year during the year ended 31st March, 2015.							
Bhowmick Subhas	60	Sr.Vice President - Formulations	01.03.2007	M.Pharm. Ph.D.	25	14179639	Sun Pharmaceutical Industries Limited, VP-FORMULATIONS
Damle Nitin K	58	Sr.Vice President - Discovery Biology	17.11.2014	M.Sc. Ph.D	29	6488910	ENDO Pharma-Senior Director
Doshi Bharat B	41	Head - Programme Mgmt.	31.12.2014	M.Pharm.	18	1819012	Quintiles - Head Clinical Development Services
Raghavan Anil Kumar	46	CEO	24.04.2014	B.TECH	20	18741316	Quintiles - Managing Director
Rajamannar Dr.Thennati*	53	Exe.Vice President - R & D	01.03.2007	M.Sc. Ph.D	25	2183724	Sun Pharmaceutical Industries Limited, EXE VP-R&D

Notes :

- 1) Remuneration includes Salary, Bonus, Allowances, Contribution to P.F., L.T.A., Medical Reimbursement and taxable value of perquisites, if any, but excludes group gratuity premium and group mediclaim contribution paid by the Company.
- 2) All appointments are contractual and terminable by notice by either side.
- 3) None of the employees mentioned above are related to any director of the Company
- 4) None of the Employees of the Company who was in receipt of remuneration, in excess of that drawn by the Managing Director or Whole-time Director holds by himself or along with his spouse and dependent children 2% or more equity shares of the Company.
- 5) Salary paid to Mr. T Rajamannar is in excess of the limits approved by the Central Government to the extent of Rs. 14.79 lakhs. In this regard the Company has made further representation to the Central Government, the response in respect of which is awaited. In case requisite approval is not received from the Central Government, the excess remuneration would be recovered from Mr. T Rajamannar.



Sun Pharma Advanced Research Company Ltd.

Akota Road, Akota, Vadodara 390 020.

CIN: L73100GJ2006PLC047837

www.sunpharma.in