

PERFORMANCE AND FINANCIAL HIGHLIGHTS

TEN YEAR
FINANCIAL HIGHLIGHTS

(₹. in Million)

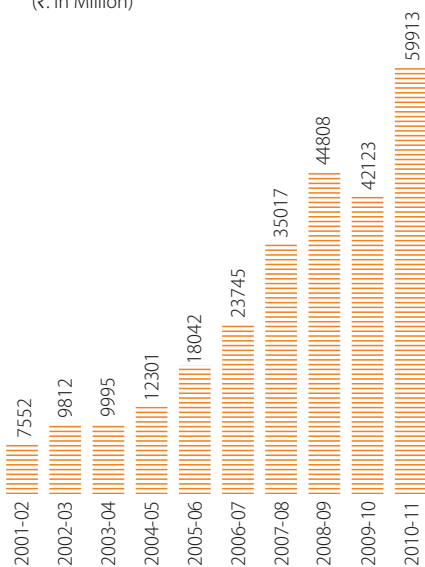
Consolidated										
Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Operating Performance										
Income from Operations	7505	9725	9847	11983	17372	22373	34606	43751	38086	57214
Total Income	7552	9812	9995	12301	18042	23745	35017	44808	42123	59913
Profit after tax	1707	2444	3446	4002	5730	8402	15509	18780	13470	19074
R&D Expenditure	336	966	1268	1427	2015	2787	2859	3320	2242	3096
a) Capital	197	363	598	418	481	347	134	222	159	236
b) Revenue	139	603	670	1009	1534	2440	2725	3098	2083	2860
c) % of Turnover	5%	12%	13%	12%	12%	13%	9%	8%	6%	5%
Financial Position										
Equity Share Capital	468	465	464	928	929	967	1036	1036	1036	1036
Reserve and Surplus	4956	5141	7540	10366	14959	26747	48879	69414	77254	93798
Gross Block	3007	4033	6232	7806	12342	14252	15960	21476	23340	45520
Net Block	2092	2682	4518	5719	8563	9514	10354	14625	15328	25234
Investment	818	38	1765	6485	3541	2543	6565	18595	31664	22310
Net Current Asset	2410	3725	4808	16360	23006	26843	33995	35485	28542	45939
Stock Information										
Number of Shares	46,774,537	93,048,478	92,755,678	185,511,356	185,731,637	193,402,120	207,116,391	207,116,391	207,116,391	1,035,581,955
Earnings per Share- Basic (In ₹)*	35.6	26.4	35.4	21.3	30.9	41.7	74.7	87.8	65.2	17.5
Earning Per Share- Diluted (In ₹)*	35.6	13.2	17.7	20.7	27.7	38.9	71.8	87.8	65.2	17.5

* During the financial year 2002-03, each Equity shares of ₹.10/-each was split into two equity share of ₹.5/- each.
During the financial year 2010-11, each Equity shares of ₹.5/-each was split into five equity share of ₹.1/- each.

KEY PERFORMANCE INDICATORS

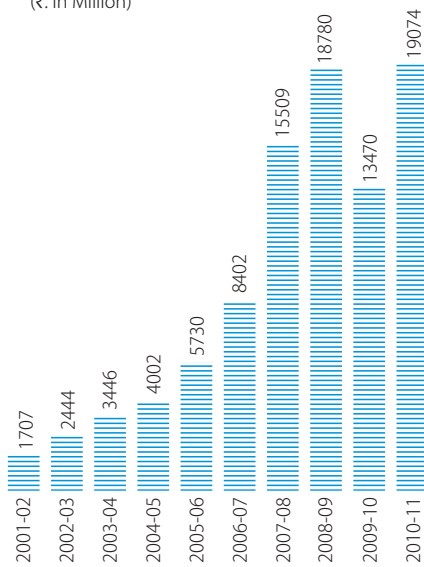
Total Income

(₹. in Million)



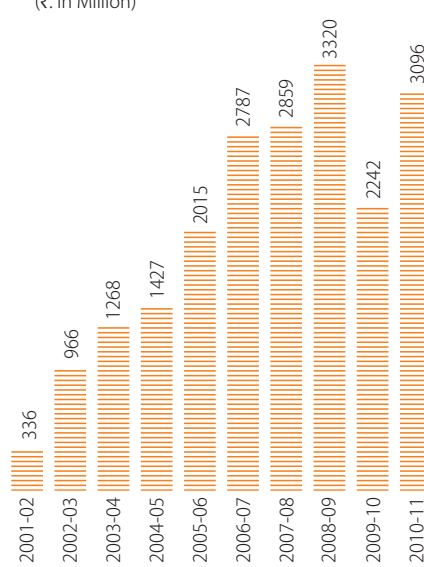
Profit After Tax

(₹. in Million)



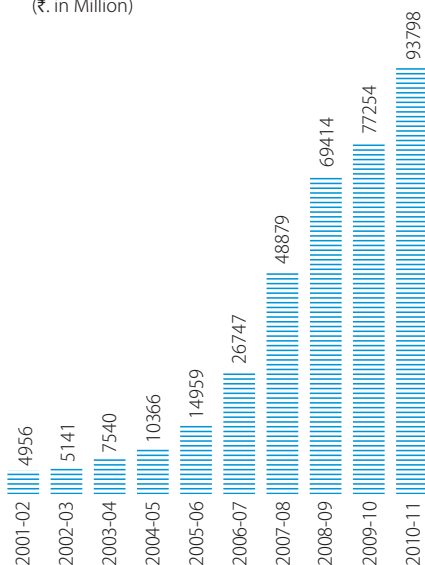
R & D Expenditure

(₹. in Million)



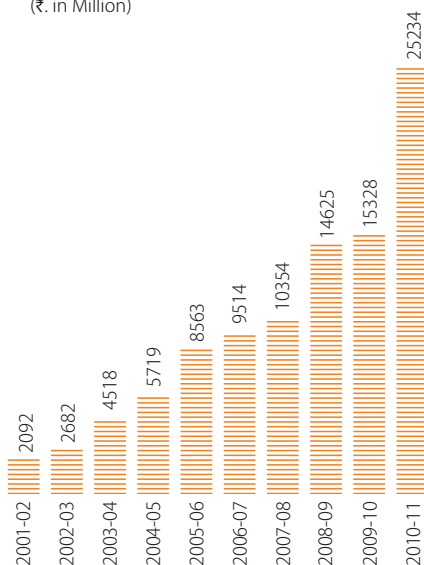
Reserve and Surplus

(₹. in Million)



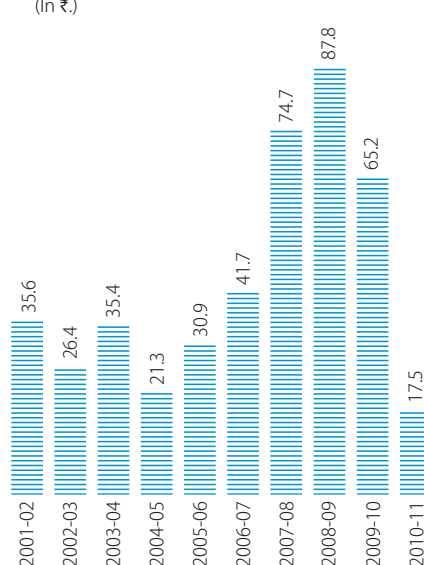
Net Block

(₹. in Million)



Earning Per Share - Basic*

(In ₹)



* During the financial year 2002-03, each Equity shares of ₹.10/-each was split into two equity share of ₹.5/- each.
During the financial year 2010-11, each Equity shares of ₹.5/-each was split into five equity share of ₹.1/- each.

ANNEXURE 'B' TO NOTES ON ACCOUNT

(CONSOLIDATED)

Statement regarding subsidiary companies as required under section 212 (8) of the Companies Act, 1956 pursuant to General Circular no. 2/2011 dated February 8th, 2011 issued by the Ministry of Corporate Affairs:

₹ in Million

SR NO	Name of the Subsidiary Company	Reporting Currency	Exchange Rate as on 31st March, 2011	Capital	Reserve	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after	Proposed Dividend
1	Green Eco Development Center Ltd.	INR	1.00	1.0	(0.1)	1.0	0.1	—	—	(0.1)	—	(0.1)	—
2	Sun Pharma Global Inc.	USD	44.52	110.1	28,058.9	42,112.0	13,943.1	2,480.1	—	667.1	—	667.1	—
3	Zao Sun Pharma Industries Ltd.	RRU	1.57	0.0	(0.0)	—	—	—	—	—	—	—	—
4	Sun Pharmaceutical (Bangladesh) Ltd	TAKA	0.61	36.6	125.3	282.4	120.6	—	323.2	85.0	30.7	54.3	—
5	Caraco Pharmaceutical Laboratories Ltd	USD	44.52	6,306.4	255.5	8,989.4	2,427.5	445.2	13,800.1	(562.9)	(199.0)	(363.9)	—
6	TKS Farmaceutica Ltda	Brazilian reais	27.27	152.0	(86.7)	540.8	475.5	—	445.3	(76.4)	—	(76.4)	—
7	Sun Pharma De Mexico S.A. DE C.V.	Mexican Pesos	3.74	3.8	66.0	417.2	347.4	—	468.6	56.9	16.4	40.5	—
8	Sun Pharmaceutical Industries Inc.	USD	44.52	0.2	(3,138.3)	5,732.5	8,870.5	—	194.6	(1,808.9)	(630.4)	(1,178.5)	—
9	Sun Farmaceutica Ltda	Brazilian reais	27.27	—	—	—	—	—	67.8	(5.7)	—	(5.7)	—
10	SPIL De Mexico S.A. DE C.V.	Mexican Pesos	3.74	0.2	—	0.2	—	—	—	—	—	—	—
11	Sun Pharmaceutical Peru S.A.C	Soles	15.87	0.0	(22.1)	0.9	23.0	—	—	(7.5)	—	(7.5)	—
12	OOO "Sun Pharmaceutical Industries" Ltd.	RRU	1.57	0.1	1.0	406.4	405.3	—	292.6	(0.4)	0.6	(1.0)	—
13	Sun Pharma de Venezuela, CA.	Venezuelan Bolivian Fuerte (VEF)	10.50	1.1	—	3.6	2.6	—	—	—	—	—	—
14	Caraco Pharma Inc.	USD	44.52	—	—	—	—	—	—	—	—	—	—
15	Chattem Chemicals Inc	USD	44.52	1,533.0	315.6	1,930.3	81.7	—	1,180.4	223.0	46.7	176.3	—
16	Taro Development Corporation	USD	44.52	0.0	(0.0)	884.5	884.5	—	—	(0.0)	—	(0.0)	—
17	Sun Development Corporation I	USD	44.52	0.0	(0.0)	884.4	884.5	—	—	—	—	—	—
18	Alkaloida Chemical Company Zrt.	HUF	0.24	1,694.5	(1,124.7)	24,033.2	23,463.3	151.9	865.8	(642.7)	—	(642.7)	—
19	Sun Pharmaceutical UK Ltd.	GBP	71.37	0.1	(75.4)	152.7	228.0	—	220.1	(28.9)	—	(28.9)	—
20	Sun Pharmaceutical Industries (Australia) Pty. Ltd.	AUD	45.98	0.0	(0.8)	0.1	1.0	—	—	(0.6)	—	(0.6)	—
21	Aditya Acquisition Company Ltd.	Israeli New Shekel, NIS	12.81	0.0	(0.0)	—	0.0	—	—	0.0	—	0.0	—
22	Sun Pharmaceutical Industries (Europe) B.V.	EURO	63.06	1.1	(115.8)	123.3	238.0	—	148.9	(45.7)	—	(45.7)	—
23	Sun Pharmaceuticals Italia S.R.L.	EURO	63.06	0.6	30.3	142.8	112.0	—	66.8	(70.6)	(18.2)	(52.4)	—
24	Sun Pharmaceutical Spain, SL.	EURO	63.06	0.2	(103.3)	128.1	231.2	—	60.9	(67.3)	(16.3)	(51.0)	—
25	Sun Pharmaceuticals Germany GmbH	EURO	63.06	1.6	(73.7)	124.6	196.7	—	95.0	(50.3)	6.3	(56.6)	—

ANNEXURE 'B' TO NOTES ON ACCOUNT

(CONSOLIDATED)

Statement regarding subsidiary companies as required under section 212 (8) of the Companies Act, 1956 pursuant to General Circular no. 2/2011 dated February 8th, 2011 issued by the Ministry of Corporate Affairs:

₹ in Million

SR NO	Name of the Subsidiary Company	Reporting Currency	Exchange Rate as on 31st March, 2011	Capital	Reserve	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
26	Sun Pharmaceuticals France	EURO	63.06	2.3	(68.2)	20.6	86.6	—	5.7	(29.6)	—	(29.6)	—
27	Sun Pharma Global (FZE)	USD	44.52	183.6	14,923.5	16,409.9	1,302.7	—	6,333.5	3,174.4	—	3,174.4	—
28	Sun Pharmaceuticals (SA) (Pty) Ltd.	ZAR	6.60	0.0	(0.0)	0.0	0.0	—	—	(0.0)	—	(0.0)	—
29	Sun Global Canada Pty. Ltd.	USD	44.52	0.0	—	0.4	0.4	—	—	(0.3)	—	(0.3)	—
30	Sun Laboratories Inc.	USD	44.52	0.0	—	0.0	0.0	—	—	—	—	—	—
31	Morley and Company Inc.	USD	44.52	0.1	—	0.1	—	—	—	—	—	—	—
32	Sun Laboratories FZE.	USD	44.52	545.5	(0.0)	545.4	—	—	—	(0.0)	—	(0.0)	—
33	Taro Pharmaceutical Industries Ltd.	USD	44.52	30.3	16,945.7	21,360.3	4,384.3	—	7,836.4	1,710.8	57.7	1,653.1	—
34	Taro Pharmaceuticals Inc.	CAD	45.90	0.0	5,446.6	6,407.4	960.8	—	5,803.6	481.9	53.4	428.5	—
35	Taro Pharmaceuticals U.S.A., Inc.	USD	44.52	6.5	(4,146.4)	10,724.2	14,864.2	164.4	13,634.9	1,073.5	399.4	674.1	—
36	Taro Research Institute Ltd.	USD	44.52	0.0	(17.0)	1,016.2	1,033.2	—	986.3	46.6	19.7	26.9	—
37	Taro Pharmaceuticals North America, Inc.	USD	44.52	0.0	2,276.6	2,751.4	474.8	—	1,045.8	532.5	(45.0)	577.5	—
38	Taro Pharmaceuticals Europe B.V.	EURO	63.06	1.1	(19.5)	2.7	21.1	—	—	(3.2)	(0.3)	(2.8)	—
39	Taro Pharmaceuticals Ireland Ltd.	EURO	63.06	31.6	(3,812.4)	250.7	4,031.4	—	—	(581.0)	—	(581.0)	—
40	Taro International Ltd. (Israel)	USD	44.52	0.0	(50.6)	244.9	295.5	—	268.0	(17.8)	—	(17.8)	—
41	Taro Pharmaceuticals UK Ltd.	GBP	71.37	0.0	(526.5)	631.5	1,158.0	—	663.0	(32.9)	—	(32.9)	—
42	Taro Laboratories Ltd.	GBP	71.37	0.0	—	0.0	0.0	—	—	—	—	—	—
43	Taro Hungary Intellectual Property Licensing LLC.	USD	44.52	1.5	(1.6)	4,528.2	4,528.3	—	—	(0.4)	—	(0.4)	—
44	Taro Healthcare Limited	GBP	71.37	0.1	—	0.1	0.1	—	—	—	—	—	—
45	Taro Industries Limited	GBP	71.37	0.1	—	0.1	—	—	—	—	—	—	—
46	Taro Manufacturing Limited	GBP	71.37	0.1	—	0.1	—	—	—	—	—	—	—
47	Taro Pharmaceuticals Canada, Ltd.	CAD	45.90	0.0	(0.0)	0.1	0.1	—	—	—	—	—	—
48	Taro International Limited - UK	GBP	71.37	0.1	—	0.1	—	—	—	—	—	—	—
49	Taro Pharmaceutical India Private Ltd.	INR	1.00	0.1	1.0	1.4	0.3	—	—	—	—	—	—

Note :

- '0.0' represents amount less than 0.05 million and rounded off.
- The above does not include 3 Skyline LLC, One Commerce Drive LLC, Tarochem Ltd and Taro Pharmaceutical Laboratories INC being subsidiaries of Taro Pharmaceutical Industries Ltd as they have no operation and does not have any Assets, Liabilities or Equity as on the close of their Financial Year ending as on 31st December, 2010.
- Figures disclosed above are as per the statutory year end of the respective subsidiaries and in respect of Taro Pharmaceutical Industries Ltd. and its subsidiaries, figures are for the year ended 31st December, 2010.

ANNEXURE TO CORPORATE GOVERNANCE FOR THE YEAR ENDED MARCH 31, 2011

DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT

I, Dilip S. Shanghvi, Chairman & Managing Director of Sun Pharmaceutical Industries 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 Pharmaceutical Industries Ltd.,

Dilip S. Shanghvi

Chairman & Managing Director

Date: May 28, 2011.

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

To The Members of
Sun Pharmaceutical Industries Limited,

We have examined the compliance of conditions of Corporate Governance by Sun Pharmaceutical Industries Limited ("the Company"), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with relevant stock exchanges (hereinafter referred to as Clause 49).

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied, in all material respects, with the conditions of Corporate Governance as stipulated in Clause 49.

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

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No.117366W)

Rajesh K. Hiranandani

Partner

(Membership No.36920)

MUMBAI, May 28, 2011



AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of SUN PHARMACEUTICAL INDUSTRIES LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements/ consolidated financial statements in respect of certain subsidiary groups, and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of any of the 54 subsidiaries and also 2 of the partnership firms (listed in Note B1 on Schedule 20), whose financial statements reflect total assets of ₹ 50,497.4 Million as at 31st March, 2011, total revenues of ₹ 28,486.5 Million and net cash outflows amounting to ₹ 260.6 Million for the year ended on that date as considered in the Consolidated Financial Statements, comprising:
 - a. Total assets of ₹ 23,453.1 Million as at 31st March, 2011, total revenues of ₹ 17,205.6 Million and net cash outflows amounting to ₹ 331.9 Million for the year ended on that date in respect of 24 subsidiaries and 2 partnership firms, whose financial statements have been audited by other auditors and their reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and partnership firms is based solely on the reports of the other auditors.
 - b. Total assets of ₹ 25,670.9 Million as at 31st March, 2011, total revenues of ₹ 9,946.3 Million and net cash inflows amounting to ₹ 61.1 Million for the period from 20th September, 2010 (date of acquisition) to 31st March, 2011 in respect of a subsidiary group comprising of 21 subsidiaries, whose reporting date of 31st December, 2010 is different from the reporting date of the Company and the consolidated financial statements have been audited by other auditors. In terms of Accounting Standard 21, Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006 ("Accounting Standard 21"), adjustments have been made for significant transactions of the subsidiary group for the period from 1st January, 2011 to 31st March, 2011 on the basis of the report of their auditors. Our opinion in so far as it relates to the amounts included in respect of this subsidiary group is based solely on the reports of the other auditors furnished to us.
 Total assets of ₹ 1,369.3 Million as at 31st March, 2011, total revenues of ₹ 1,334.6 Million and net cash inflows amounting to ₹ 8.8 Million for the year ended on that date in respect of 6 subsidiaries, whose reporting date is also of 31st December, 2010 and different from the reporting date of the Company and the financial statements have been audited by other auditors. In terms of Accounting Standard 21, adjustments have been made for significant transactions of these subsidiaries for the periods from 1st January, 2011 to 31st March, 2011 and 1st January, 2010 to 31st March, 2010, on the basis of their management accounts for the said periods. Our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors furnished to us and the management accounts as aforesaid.
 - c. Total assets of ₹ 4.1 Million as at 31st March, 2011, total revenues of ₹ Nil and net cash inflows amounting to ₹ 1.4 Million for the year ended on that date in respect of 3 subsidiaries, whose financial statements have not been audited.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate Auditors' Reports on individual financial statements of the Company and its aforesaid subsidiaries/consolidated financial statements in respect of certain subsidiary groups, and to the best of our information and according to the explanations given to us, in our opinion, read with our comments in paragraphs 3(b) and 3(c) above, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2011;
 - ii. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

Rajesh K Hiranandani
Partner
(Membership No. 36920)

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2011

Schedule	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	1,035.6	1,035.6	
Reserves and Surplus	2	93,797.6	77,253.5	78,289.1
				1,931.9
Minority Interest				
Loan Funds				
Secured Loans	3	1,804.3	1,003.5	
Unsecured Loans	4	2,451.5	708.0	1,711.5
Deferred Tax Liability (Net)	5 (a)		1,348.3	1,209.1
Total		108,908.8		83,141.6
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	6	45,520.1	23,340.4	
Less: Depreciation/Amortisation/Impairment		20,286.1	8,012.5	
Net Block		25,234.0	15,327.9	
Capital Work-in-Progress (including advances on capital account)		2,706.3	1,448.2	16,776.1
Goodwill on Consolidation (Refer note B.6 of schedule 20)			7,719.7	4,060.3
Investments	7		22,309.6	31,663.8
Deferred Tax Assets (Net)	5 (b)		5,000.6	2,099.5
Current Assets, Loans and Advances				
Inventories	8	14,793.9	10,738.5	
Sundry Debtors	9	11,715.9	11,747.7	
Cash and Bank Balances	10	21,936.4	5,088.9	
Other Current Assets	11	445.1	57.9	
Loans and Advances	12	11,280.8	8,488.1	
		60,172.1	36,121.1	
Less: Current Liabilities and Provisions	13			
Current Liabilities		9,203.2	4,095.1	
Provisions		5,030.3	3,484.1	
		14,233.5	7,579.2	
Net Current Assets			45,938.6	28,541.9
Total		108,908.8		83,141.6
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS				
Schedules referred to herein form an integral part of the Financial Statements.	20			

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

DILIP S. SHANGHVI
Chairman & Managing Director

S. KALYANASUNDARAM
Wholetime Director & CEO

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

SUNIL R. AJMERA
Company Secretary

Mumbai, 28th May, 2011

Mumbai, 28th May, 2011



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2011

Schedule	Year ended 31st March, 2011		Year ended 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
INCOME				
Income from Operations				
Gross Sales	58,065.8		38,861.4	
Less : Excise Duty	851.5		775.1	
Net Sales	57,214.3		38,086.3	
Other Operating Income	14	—	1,988.2	
	57,214.3		40,074.5	
Other Income	15	2,698.8	2,048.2	42,122.7
EXPENDITURE				
Cost of Materials / Goods	16	14,606.9	10,977.3	
Personnel Cost	17	6,728.9	4,007.9	
Operating and Other Expenses	18	13,318.6	9,372.9	
Research and Development Expenditure	19	2,860.0	2,083.1	
Depreciation / Amortisation / Impairment		2,040.6	1,533.1	27,974.3
		39,555.0	1,533.1	
PROFIT BEFORE TAXATION				
Provision for Taxation - Current Tax		851.2	1,106.4	14,148.4
- Deferred Tax Charge / (Credit) (Net)		433.2	(427.8)	678.6
		1,284.4		
PROFIT AFTER TAX				
Minority Interest		19,073.7		13,469.8
		913.1		(41.0)
PROFIT FOR THE YEAR AFTER TAX AND MINORITY INTEREST				
		18,160.6		13,510.8
BALANCE OF PROFIT BROUGHT FORWARD				
		38,211.7		31,021.8
AMOUNT AVAILABLE FOR APPROPRIATIONS				
		56,372.3		44,532.6
APPROPRIATIONS				
Proposed Dividend		3,624.5	2,847.9	
Corporate Dividend Tax		588.0	473.0	3,320.9
Transfer to General Reserve		5,000.0		3,000.0
BALANCE OF PROFIT CARRIED TO BALANCE SHEET				
		47,159.8		38,211.7
EARNINGS PER SHARE (refer note B.8 of Schedule 20)				
Basic & Diluted (₹)		17.5		13.0
Face value per Equity share - ₹1				
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS				
20				
Schedules referred to herein form an integral part of the Financial Statements.				

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

DILIP S. SHANGHVI
Chairman & Managing Director

S. KALYANASUNDARAM
Wholetime Director & CEO

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

SUNIL R. AJMERA
Company Secretary

Mumbai, 28th May, 2011

Mumbai, 28th May, 2011

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ in Million	₹ in Million
A Cash Flow From Operating Activities:		
Net Profit Before Tax	20,358.1	14,148.4
Adjustments for:		
Depreciation / Amortisation / Impairment	2,040.6	1,533.1
Interest Expense	577.3	61.5
Interest Income	(1,918.9)	(1,200.4)
Dividend Income (₹ 2,820)	(0.0)	(0.1)
Loss on Fixed Assets Sold (net)	14.3	60.3
Profit on sale of Investments	(427.5)	(73.3)
Provision for Doubtful Debts	12.9	21.2
Sundry Balances / Bad Debts written off / back (net)	(10.0)	(18.4)
Provision for employee benefits	654.6	64.1
Unrealised Foreign Exchange Loss	(1,812.0)	(684.0)
Operating Profit Before Working Capital Changes	19,489.4	13,912.4
Adjustments for Changes In Working Capital:		
Decrease / (Increase) in Sundry Debtors	3,475.1	(3,057.1)
Decrease / (Increase) in Other Receivables	902.0	(707.9)
Increase in Inventories	(712.6)	(981.5)
Increase in Trade and Other Payables	1,817.0	390.2
Cash Generated From Operations	24,970.9	9,556.1
Taxes Paid	(1,076.8)	(1,744.8)
Net Cash Generated From Operating Activities	23,894.1	7,811.3
B. Cash Flow From Investing Activities:		
Purchase of Fixed Assets and Capital Work in Progress (including Capital Advance)	(4,453.7)	(2,841.3)
Proceeds From Sale of Fixed Assets	283.8	89.3
Proceeds From Sale of Investments	126,427.0	153,969.6
Purchase of Investments	(123,198.1)	(165,746.5)
Margin Money and Fixed Deposit with Banks	(14,789.8)	11,782.5
Short Term Loans / Inter Corporate Deposits received back / (given) (net)	(2,596.6)	(168.0)
Acquisition of Subsidiaries	(4,689.3)	(806.9)
Interest Received	1,531.7	1,583.8
Dividend Received (₹ 2,820)	0.0	0.1
Net Cash Used in Investing Activities	(21,485.0)	(2,137.4)



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2011

	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ in Million	₹ in Million
C. Cash Flow From Financing Activities:		
Long Term Loan Taken / (Repaid)	(2,204.0)	256.2
Short Term Loan Taken / (Repaid)	2.3	(6.9)
Proceeds from / (Payment to) Minority	(69.2)	2.5
Interest Paid	(577.3)	(61.5)
Borrowing from banks Received / (Repaid)	(1,585.0)	(326.7)
Dividend Paid	(2,841.0)	(2,843.9)
Corporate Dividend Tax Paid	(473.0)	(484.0)
Net Cash Used in Financing Activities	(7,747.2)	(3,464.3)
Net (Decrease) / Increase in Cash and Cash Equivalents	(5,338.1)	2,209.6
Cash and Bank balance taken over on acquisition of Subsidiaries	5,473.9	—
Cash and Cash Equivalents as at the beginning of the year	6,722.0	4512.4
Cash and Cash Equivalents as at the year end	6,857.8	6,722.0
Cash and Cash Equivalents Comprise:		
Cash and Cheques in hand and balances with Scheduled / Other banks (Refer Schedule 10 to the Financial Statements)	21,936.4	5,088.9
Add : Investment in Certificate of Deposit having maturity less than 3 Months	—	1,941.6
Less : Margin Money Deposit / Fixed deposit having maturity more than 3 Months	15,067.9	278.1
Unrealised exchange (Gain) / Loss	(10.7)	(30.4)
Cash and Cash Equivalents as restated as at the year end	6,857.8	6,722.0

Notes:

- Cash and cash equivalents includes ₹ 28.5 Million (Previous Year ₹ 22.2 Million) on account of Unclaimed dividend, which are not available for use by the Company.
- Previous years' figures are regrouped / reclassified wherever necessary in order to confirm to current years' groupings and classifications.

In terms of our report attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner

DILIP S. SHANGHVI
Chairman & Managing Director

S. KALYANASUNDARAM
Wholetime Director & CEO

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

SUNIL R. AJMERA
Company Secretary

Mumbai, 28th May, 2011

Mumbai, 28th May, 2011

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 1 : SHARE CAPITAL				
Authorised				
1,500,000,000 Equity Shares of ₹ 1/- each (Previous Year 300,000,000 Equity Shares of ₹ 5 each)		1,500.0		1,500.0
		1,500.0		1,500.0
Issued, Subscribed and Paid Up				
1,035,581,955 Equity Shares of ₹ 1 each (Previous Year 207,116,391 Equity Shares of ₹ 5 each) fully paid-up.		1,035.6		1,035.6
		1,035.6		1,035.6
Notes:				
Of the above :				
1) 808,150,050 Equity shares allotted as fully paid Bonus Shares by capitalisation of Securities Premium Account, Profit and Loss Account, Amalgamation Reserve and Capital Redemption Reserve Account.				
2) 4,136,330; 2,080,000; 4,775,810; 114,380; 185,190; 197,710 and 21,370 Equity Shares fully paid allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd, M.J.Pharmaceuticals Ltd. and Phlox Pharmaceuticals Ltd. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.				
3) 108,003,805 Equity Shares allotted to the holders of Zero Coupon Foreign Currency Convertible Bond on exercise of conversion option.				
4) With effect from 27th November, 2010, one equity share of ₹ 5 each fully paid-up was split into five equity shares of ₹ 1 each fully paid-up.				
SCHEDULE 2 : RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet		259.1		259.1
Securities Premium Account				
As per last Balance Sheet		15,099.1		15,099.1
Capital Redemption Reserve				
As per last Balance Sheet		154.5		154.5
General Reserve				
As per last Balance Sheet	20,444.3		17,444.3	
Add : Share in post acquisition profits of Taro Pharmaceutical industries Ltd Group (Taro), relating to step-by-step acquisition prior to date of acquisition of control.	3,076.9		—	
Add : Transferred from Profit and Loss Account	5,000.0	28,521.2	3,000.0	20,444.3
Foreign Currency Translation Reserve on Consolidation				
As per last Balance Sheet	3,084.8		5,434.8	
Add/(Less) : Movement During the Year	(480.9)	2,603.9	(2,350.0)	3,084.8
Surplus as per Profit and Loss Account		47,159.8		38,211.7
		93,797.6		77,253.5

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 3 : SECURED LOANS (Refer Note B.7 of Schedule 20)				
Short Term Loan from Banks		1,280.6		695.2
Cash Credit Facility from Banks		523.7		308.3
		1,804.3		1,003.5
SCHEDULE 4 : UNSECURED LOANS				
Long Term				
Debenture (5.8% Interest Plus CPI, maturing in 2014)		1,902.9		—
Other than bank Loans		145.8		459.4
Short Term				
From Banks	340.0		217.1	
Cash Credit Facility from Banks	54.5		25.5	
Others	8.3	402.8	6.0	248.6
		2,451.5		708.0
SCHEDULE 5: DEFERRED TAX BALANCES (Refer Note B.21 of Schedule 20)				
(a) Deferred Tax Liabilities (Net)				
(i) Depreciation on Fixed Assets		1,411.3		1,302.8
(ii) Unpaid Liabilities		(43.6)		(69.2)
(iii) Others		(19.4)		(24.5)
		1,348.3		1,209.1
(b) Deferred Tax Assets (Net)*				
(i) Depreciation on Fixed Assets		(346.4)		(231.6)
(ii) Unpaid Liabilities		1,763.0		—
(iii) Unabsorbed Loss		1,857.3		1,021.4
(iv) Intangibles		973.5		1,078.8
(v) Others		753.2		230.9
		5,000.6		2,099.5

* Includes ₹ 3193.7 Million (Previous Year ₹ Nil) taken over on acquisition of Taro

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

SCHEDULE 6 : FIXED ASSETS

₹ in Million

Particulars	Gross Block (At Cost)						Depreciation / Amortisation / Impairment						Net Block		
	As At 01.04.10	Consoli- dation Adjust- ment	Taken over on acqui- sition (d)	Addi- tions 10-11	Deletions/ Adjust- ment 10-11	As at 31.03.11	As at 01.04.10	Consoli- dation Adjust- ment	Taken over on acqui- sition (d)	For the year 10-11	Deletions/ Adjust- ment 10-11	As at 31.03.11	As at 31.03.11	As at 31.03.10	
I. TANGIBLE ASSETS															
Freehold Land	138.7	1.4	460.5	9.1	—	609.7	—	—	—	—	—	—	609.7	138.7	
Leasehold Land	76.7	—	854.1	64.2	48.7	946.3	4.7	—	63.1	0.8	0.9	67.7	878.6	720	
Buildings	5,975.0	48.9	6,222.4	792.9	119.5	12,919.7 (a)	1,127.5	15.1	1,599.5	361.1	47.2	3,056.0	9,863.7	4,847.5	
Plant and Machinery	13,988.0	35.5	7,994.2	1,790.9	285.0	23,523.6	5,812.8	27.6	6,136.2	1,201.0	1,440	13,033.6(b)	10,490.0	8,175.2	
Vehicles	217.0	2.0	14.7	62.2	35.3	260.6	78.6	2.4	13.1	26.5	11.6	109.0	151.6	138.4	
Furniture and Fixtures	484.8	1.7	399.1	37.4	11.8	911.2	214.9	1.1	309.8	34.6	9.1	551.3(b)	359.9	269.9	
Sub-Total I	20,880.2	89.5	15,945.0	2,756.7	500.3	39,171.1	7,238.5	46.2	8,121.7	1,624.0	2,128	16,817.6	22,353.5	13,641.7	
II. INTANGIBLE ASSETS															
Trademarks, Designs and Other Intangible Assets	2,460.2	(5.7)	3,379.7	569.9	55.1	6,349.0	774.0	(5.0)	2,327.4	416.6	44.5	3,468.5(b)	2,880.5	1,686.2	
Sub-Total II	2,460.2	(5.7)	3,379.7	569.9	55.1	6,349.0	774.0	(5.0)	2,327.4	416.6	44.5	3,468.5	2,880.5	1,686.2	
TOTAL I + II	23,340.4	83.8	19,324.7	3,326.6	555.4	45,520.1	8,012.5	41.2	10,449.1	2,040.6	257.3	20,286.1	25,234.0	15,327.9	
Previous Year	21,476.1	(703.5)	—	2,955.8	388.0	23,340.4	6,850.7	(132.9)	—	1,533.1 (b)	238.4	8,012.5	15,327.9		
													Capital Work-in-Progress (including advances on capital account) (c)	2,706.3	1,448.2
														27,940.3	16,776.1

NOTES:

- (a) Buildings include ₹ 8,620 (Previous Year ₹ 8,620) towards cost of shares in a Co-operative Housing Society.
- (b) Includes Impairment of ₹ 30.8 Million (Previous Year ₹ 30.8 Million) including ₹ Nil (Previous Year ₹ 30.8 Million) on account of Impairment for the year.
- (c) Capital work-in-progress (including advances on Capital Account) includes ₹ 2.66 Million (Previous Year ₹ 4.4 Million) on account of preoperative expenses.
- (d) Represents assets and accumulated depreciation of TARO which became subsidiary during the year. Also refer note no. B.22 to Schedule 20.

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 7 : INVESTMENTS				
A. LONG TERM INVESTMENTS (At Cost)				
Quoted				
i) Equity Shares		1,096.6		5,885.1
ii) Bonds		52.1		52.5
iii) Zero Percent-Notes		1,038.9		1,135.8
iv) Debentures		722.5		1,409.7
Unquoted				
i) Government Securities		164.0		0.0
ii) Equity Shares		152.9		148.9
iii) Bonds		5.0		5.0
iv) Debentures		250.0		—
v) Passthrough Certificates		503.3		500.0
vi) Deposits		2,258.0		1,240.0
vii) Mutual Funds		14,971.1		4,466.1
Total (A)		21,214.4		14,843.1
B. CURRENT INVESTMENTS				
i) Certificate of Deposits (Quoted)		445.2		1,941.6
ii) Mutual Funds (Unquoted)		650.0		14,879.1
Total (B)		1,095.2		16,820.7
Total (A+B)		22,309.6		31,663.8
AGGREGATE VALUE OF INVESTMENTS				
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Quoted	3,355.2	5,808.3	10,424.7	15,557.7
Unquoted	18,954.4		21,239.1	

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 8 : INVENTORIES				
Consumable Stores		321.0		170.5
Stock in Trade				
Raw Materials	5,978.7		5,640.6	
Packing Materials	1,180.2		623.3	
Finished Goods	4,019.8		1,711.4	
Work-in-Progress	3,294.2	14,472.9	2,592.7	10,568.0
		14,793.9		10,738.5

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 9 : SUNDRY DEBTORS (Unsecured-Considered Good, unless stated otherwise)				
Over Six Months				
Considered Good	1,228.7		1,074.6	
Considered Doubtful	78.1	1,306.8	79.6	1,154.2
Other Debts		10,487.2		10,673.1
		11,794.0		11,827.3
Less: Provision for Doubtful Debts		78.1		79.6
		11,715.9		11,747.7
SCHEDULE 10 : CASH AND BANK BALANCES				
Cash / Cheques on hand		6.7		88.7
Balances with Banks				
Scheduled Banks				
Current Accounts	5,551.6		175.2	
Deposit Accounts {Pledged ₹ 33.71 (Previous Year ₹ 12.0) Million}	15,067.9	20,619.5	278.1	453.3
Other Banks				
Current Accounts	1,278.6		4,155.4	
Deposit Accounts	31.6	1,310.2	391.5	4,546.9
		21,936.4		5,088.9
SCHEDULE 11 : OTHER CURRENT ASSETS				
Interest accrued on Investments		445.1		57.9
		445.1		57.9
SCHEDULE 12 : LOANS AND ADVANCES (Unsecured – Considered Good, unless stated otherwise)				
Loan to Employees / Others {Secured Loans ₹ 751.2 Million (Previous Year ₹ 294.0 Million)}				
Considered Good	3,391.6		3,796.5	
Considered Doubtful	9.5		9.5	
	3,401.1		3,806.0	
Less : Provision for Doubtful Advances	9.5	3,391.6	9.5	3,796.5
Advances Recoverable in Cash or in Kind or for Value to be received		2,570.5		659.5
Advances to Suppliers		1,130.2		299.2
Balances with Central Excise and Customs		991.4		871.5
DEPB and Advance Licences		209.5		137.2
Other Deposits		146.4		108.6
Advance Payment of Income Tax (Net of Provision)		2,841.2		2,615.6
		11,280.8		8,488.1

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	As at 31st March, 2011		As at 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 13 : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors				
Due to Micro and Small Enterprises	37.7		19.1	
Others	4,770.6		3,175.3	
Advances from Customers	95.5		284.8	
Security Deposits	21.9		19.3	
Investor Education and Protection Fund shall be credited by				
Unclaimed Dividend (Not Due)	30.4		23.5	
Temporary Overdrawn Bank balance as per Books	7.3		5.2	
Other Liabilities	4,198.6		401.7	
Interest accrued but not due on Loans	41.2	9,203.2	166.2	4,095.1
Provisions				
Provision for Fringe Benefit Tax (Net of Advance Tax on FBT)	0.6		0.6	
Proposed Dividend	3,624.5		2,847.9	
Corporate Dividend Tax	588.0		473.0	
Provision for employee benefits	817.2	5,030.3	162.6	3,484.1
		14,233.5		7,579.2

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 14 : OTHER OPERATING INCOME				
Non-recurring (income) (Refer Note B.14 of Schedule 20)		—		1,988.2
		—		1,988.2
SCHEDULE 15 : OTHER INCOME				
Lease Rental and Hire Charges		47.3		28.3
Interest Income (Net) (Refer Note B.5 of Schedule 20)		1,340.5		1,138.1
Gain on Exchange Fluctuations		376.3		333.7
Profit on Sale of Fixed Assets		2.8		6.5
Profit on Sale of Investments (Net) (Refer Note B.17 of Schedule 20)		427.5		73.3
Sundry Balances Written Back (Net)		0.7		15.7
Insurance Claims		20.4		5.2
Dividend Income - Long Term Investment (₹ 2,820)		0.0		0.1
Miscellaneous Income		483.3		447.3
		2,698.8		2,048.2

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 16 : COST OF MATERIALS / GOODS				
Inventories of Raw & Packing material at the beginning of the year	6,263.9		5,637.7	
Purchases during the year - Raw & Packing Material	13,384.2		10,557.5	
- Finished goods	1,766.8		1,370.4	
Inventories of Raw and Packing Material at the end of the year	(7,158.9)	14,256.0	(6,263.9)	11,301.7
Inventories taken over on acquisition of Taro		3,360.8		—
Inventories of Finished Goods and Work-In-Progress at the beginning of the year	4,304.1		3,979.7	
Inventories of Finished Goods and Work-In-Progress at the end of the year	(7,314.0)		(4,304.1)	
		(3,009.9)		(324.4)
		14,606.9		10,977.3
SCHEDULE 17 : PERSONNEL COST				
Salaries, Wages and Bonus		5,567.1		3,382.0
Contribution to Provident and Other Funds		613.0		411.2
Staff Welfare Expenses		548.8		214.7
		6,728.9		4,007.9
SCHEDULE 18 : OPERATING AND OTHER EXPENSES				
Stores and Spares Consumed		600.1		547.9
Conversion and Other Manufacturing Charges		1,089.7		784.0
Power and Fuel		946.0		919.2
Rent		182.1		137.1
Rates and Taxes		156.5		108.8
Insurance		325.7		271.2
Selling and Distribution		3,414.4		1,670.8
Commission and Discount		1,328.4		497.1
Repairs				
Building	120.7		78.6	
Plant and Machinery	484.7		332.8	
Others	160.3	765.7	158.9	570.3
Printing and Stationery		71.7		54.0
Travelling and Conveyance		278.0		170.5
Overseas Travel and Export Promotion		913.5		735.4
Communication		123.5		71.9
Provision for doubtful Debts / Advances				
Provision for doubtful Debts	12.9		21.2	
Sundry Balances/Bad Debts Written Off (Net)	5.1		6.5	
Less :- Adjusted out of Provision for earlier years	14.4	3.6	5.1	22.6
Professional and Consultancy		2,070.8		1,273.7
Donations		3.3		111.7
Loss on Sale of Fixed Assets		16.5		66.5
Excise Duty on Stock (*)		(2.9)		7.2
Miscellaneous Expenses		1,032.0		1,353.0
		13,318.6		9,372.9

(*) represents the difference between excise duty on opening and closing stock of finished goods.

SCHEDULES TO THE FINANCIAL STATEMENTS

(CONSOLIDATED)

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
SCHEDULE 19 : RESEARCH AND DEVELOPMENT EXPENDITURE				
Salaries,Wages and Bonus		1,090.5		731.8
Contribution to Provident and Other Funds		74.2		43.9
Staff Welfare Expenses		102.0		38.5
Material, Stores and Spares Consumed		840.8		747.0
Power and Fuel		22.1		18.7
Rates and Taxes		15.0		4.1
Rent		0.8		4.1
Insurance		34.5		21.4
Repairs				
Building	17.5		6.5	
Plant and Machinery	44.6		51.3	
Others	28.6	90.7	26.3	84.1
Printing and Stationery		14.1		11.9
Travelling and Conveyance		19.7		13.2
Communication		15.9		16.1
Professional and Consultancy		382.9		195.4
Loss on Sale of Fixed Assets		0.6		0.3
Miscellaneous Expenses		385.1		315.7
		3,088.9		2,246.2
Less:				
Interest Income (Refer Note B.5 of Schedule 20)	1.1		0.8	
Receipts from Research activities	188.6		157.7	
Miscellaneous Income	39.2		0.5	
Bad Debts Recovered / Sundry balances written Back	—	228.9	4.1	163.1
		2,860.0		2,083.1

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2011 (CONSOLIDATED)

SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES:

1 Basis of Consolidation:

The Consolidated Financial Statements relate to Sun Pharmaceutical Industries Limited ('the Company') and its Subsidiaries (together constitute 'the Group'). The Consolidated Financial Statements have been prepared on the following basis:

- (i) The financial statements of the Company and its Subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and unrealised profits or losses as per Accounting Standard 21 'Consolidated Financial Statements', as notified by the Companies (Accounting Standards) Rules, 2006. These financial statements have been prepared using uniform accounting policies for like transactions and other events in the similar circumstances.
- (ii) In case of foreign subsidiaries, being non-integral foreign operations, translation of financial statements for consolidation is done in accordance with the policy stated in Note 10 below.
- (iii) The consolidated financial statements of the Group include financial statements of certain subsidiaries prepared as of a different date from that of the Company's financial statements. Adjustments for effects of significant transactions and events that have occurred between the date of the financial statements of these subsidiaries and the date of the Parent Company's financial statements are made in the consolidated financial statements.
- (iv) The excess of cost of investment in the subsidiaries over the share of equity in the subsidiaries as at the date of making the investment is recognised in the financial statements as Goodwill. Goodwill arising out of consolidation is not amortised. However, the same is tested for impairment at each Balance Sheet date. The excess of share of equity of the subsidiaries over the cost of acquisition of the respective investments as at the date of making the investment is treated as Capital Reserve. For this purpose, share of equity is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.
- (v) Minority Interest in the net assets of Subsidiaries consists of:
 - i. the amount of equity attributable to the minorities at the date on which investment in Subsidiary is made and
 - ii. the minorities' share of movements in equity since the date the parent-subsidiary relationship came into existence.

2 Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

3 Use of Estimates

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

4 Fixed Assets and Depreciation / Amortization

Fixed Assets including Intangible assets are stated at historical cost (Net of cenvat credit) less accumulated depreciation / amortization thereon and impairment losses, if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956 except for Caraco Pharmaceutical Laboratories Ltd. (Caraco), Taro Pharmaceutical Industries Ltd. (Taro), Alkaloida Chemical Company Zrt., Sun Farmaceutica Ltda, Sun Pharmaceutical Industries (Australia) Pty. Ltd., Sun Pharmaceutical Industries (Europe) B.V., Sun Pharma Global (FZE), Sun Pharmaceutical Spain, SL., Sun Pharmaceuticals Italia S.R.L., Sun Pharmaceuticals Germany GmbH, Sun Pharmaceuticals France, TKS Farmaceutica Ltda. and Sun Pharmaceutical Industries Inc depreciation is computed using the Straight Line Method over the estimated useful lives of the related assets, which ranges from 3 to 100 years. Assets costing ₹ 5,000 or less are depreciated at 100% on pro-rata basis in the year of Purchase except, in case of Sun Pharmaceutical Spain, SL. where assets costing Euro 601 or less and in case of Sun Pharmaceuticals Italia S.R.L where assets costing Euro 516.46 or less are depreciated at 100% in the year of purchase. Leasehold



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land is amortised over the period of lease. At Taro, Leasehold improvements are depreciated using the straightline method over the shorter of their useful lives or the terms of leases generally 5 - 10 years.

Intangible assets consisting of trademarks, designs, technical know-how, non compete fees and other intangible assets are amortized on Straight Line Method from the date they are available for use, at the rates as estimated by the Management considering the terms of agreement, which ranges from 3 to 20 years.

5 Leases

In case of assets taken on operating lease, the lease rentals are charged to the Profit And Loss Account in accordance with Accounting Standard 19 on leases as notified by the Companies (Accounting Standards) Rules, 2006.

6 Revenue Recognition

Sales of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Sales include delayed payment charges, and are stated net of returns, Vat /Sales Tax and provision for chargebacks, Medicaid, rebates, shelf stock adjustments, cash discounts and other sales deductions, made on the basis of management expectation taking into account past experience, customer experience, third-party prescription data, industry and regulatory changes and other relevant information which are revised as necessary.

7 Investments

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

8 Inventories

Inventories consisting of raw and packing materials, stores and spares, work in progress and finished goods are stated at lower of cost (Raw and Packing Material - Specific Identification Method; Stores and Spares - FIFO basis; Work in Progress and Finished Goods - Weighted Average Method) and net realisable value. In respect of Caraco Pharmaceutical Laboratories Ltd cost is determined on specific identification basis, in respect of Alkaloida Chemical Company Zrt and Sun Pharmaceutical Industries Inc cost is determined on FIFO basis, in respect of Taro Pharmaceutical Industries Ltd cost is determined on Average cost basis.

9 Research and Development

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

10 Foreign Currency Transactions and Translation

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

The translation of the financial statements of non integral foreign operations is accounted for as under:

- a) All revenues and expenses are translated at average rate.
- b) All monetary and non-monetary assets and liabilities are translated at the rate prevailing on the balance sheet.
- c) Resulting exchange difference is accumulated in Foreign Currency Translation Reserve on Consolidation until the disposal of the net investment in the said non integral foreign operation.

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11 Taxes on Income

Provision for taxation comprises of Current Tax and Deferred Tax. Current Tax provision has been made on the basis of reliefs and deductions available under relevant Tax laws. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date.

12 Employee Benefits

- (a) The Group's contribution in respect of provident fund and other funds is charged to Profit and Loss Account each year.
- (b) With respect to gratuity liability, some of the entities in group contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by the independent valuer is charged to Profit and Loss Account.
- (c) Liability for accumulated compensated absences of employees is ascertained for on actuarial valuation basis and provided for as per group rules.

13 Government Grants / Subsidy

Government grants, if any, 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.

14 Derivative Accounting

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

15 Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

16 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Group 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 can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

17 Impairment of Assets

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

18 Common/Convertible Preferred Stock Issued

Common/Convertible Preferred Stock is issued by Caraco from time to time in lieu of cash for directors fees and in exchange for fees towards formula for products developed by Parent & its affiliates and is recorded as compensatory expenses/research and development costs respectively.



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B NOTES TO FINANCIAL STATEMENTS:

- 1 The Consolidated Financial Statements present the consolidated accounts of Sun Pharmaceutical Industries Ltd with its following subsidiaries.

Sr. No.	Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest for the year 2010-11	Proportion of ownership interest for the year 2009-10	Year End
Direct Subsidiaries					
1	Green Eco Development Center Ltd.	India	100.00%	—	31/03/2011
2	Sun Pharma Global Inc.	British Virgin Islands	100.00%	100.00%	31/03/2011
3	ZAO Sun Pharma Industries Ltd.	Russia	100.00%	100.00%	31/12/2010 (See Foot note e)
4	Sun Pharmaceutical (Bangladesh) Ltd.	Bangladesh	72.50%	72.50%	31/03/2011
5	Caraco Pharmaceutical Laboratories Ltd. (CARACO)	United States of America	75.83%	75.16%	31/03/2011
6	TKS Farmaceutica Ltda	Brazil	90.14%	90.10%	31/12/2010 (See Foot note f)
7	Sun Pharma De Mexico S.A. DE C.V.	Mexico	75.00%	75.00%	31/12/2010
8	Sun Pharmaceutical Industries Inc.	United States of America	100.00%	100.00%	31/03/2011
9	Sun Farmaceutica Ltda	Brazil	—	99.94%	(See Foot note f)
10	SPIL De Mexico S.A. DE C.V.	Mexico	100.00%	100.00%	31/12/2010
11	Sun Pharmaceutical Peru S.A.C.	Peru	99.33%	99.33%	31/12/2010
12	OOO "Sun Pharmaceutical Industries" Ltd.	Russia	99.00%	99.00%	31/12/2010
13	Sun Pharma de Venezuela, CA.	Venezuela	100.00%	—	31/03/2011
Step down Subsidiaries					
14	Caraco Pharma Inc.	United States of America	75.83%	75.16%	31/03/2011
15	Chattem Chemicals Inc.	United States of America	100.00%	100.00%	31/03/2011
16	Taro Development Corporation	United States of America	100.00%	—	31/03/2011
17	Sun Development Corporation I	United States of America	—	100.00%	(See Foot note g)
18	Alkaloida Chemical Company Zrt.	Hungary	99.99%	99.99%	31/03/2011
19	Sun Pharmaceutical UK Ltd.	United Kingdom	100.00%	100.00%	31/03/2011
20	Sun Pharmaceutical Industries (Australia) Pty. Ltd.	Australia	100.00%	100.00%	31/03/2011

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Sr. No.	Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest for the year 2010-11	Proportion of ownership interest for the year 2009-10	Year End
21	Aditya Acquisition Company Ltd.	Israel	100.00%	100.00%	31/03/2011
22	Sun Pharmaceutical Industries (Europe) B.V.	The Netherlands	100.00%	100.00%	31/03/2011
23	Sun Pharmaceuticals Italia S.R.L.	Italy	100.00%	100.00%	31/03/2011
24	Sun Pharmaceutical Spain, SL.	Spain	100.00%	100.00%	31/03/2011
25	Sun Pharmaceuticals Germany GmbH	Germany	100.00%	100.00%	31/03/2011
26	Sun Pharmaceuticals France	France	100.00%	100.00%	31/03/2011
27	Sun Pharma Global (FZE)	U.A.E.	100.00%	100.00%	31/03/2011
28	Sun Pharmaceuticals (SA) (Pty) Ltd.	South Africa	100.00%	100.00%	31/03/2011
29	Sun Global Canada Pty. Ltd.	Canada	100.00%	100.00%	31/03/2011
30	Sun Laboratories Inc	United States of America	100.00%	—	31/03/2011
31	Morley and Company Inc	United States of America	100.00%	—	31/03/2011
32	Sun Laboratories FZE.	Sharjah, U. A. E.	100.00%	—	31/03/2011
33	Taro Pharmaceutical Industries Ltd.(TARO)	Israel	66.30%	—	31/12/2010 (See Foot note b.)
34	Taro Pharmaceuticals Inc.	Canada	66.30%	—	31/12/2010
35	Taro Pharmaceuticals U.S.A.,Inc.	United States of America	66.30%	—	31/12/2010
36	Taro Research Institute Ltd.	Israel	66.30%	—	31/12/2010
37	Taro Pharmaceuticals North America, Inc.	Cayman Islands, British west Indies	66.30%	—	31/12/2010
38	Taro Pharmaceuticals Europe B.V.	The Netherlands	66.30%	—	31/12/2010
39	Taro Pharmaceuticals Ireland Ltd.	Ireland	66.30%	—	31/12/2010
40	Taro International Ltd.	Israel	66.30%	—	31/12/2010
41	Taro Pharmaceuticals UK Ltd.	United Kingdom	66.30%	—	31/12/2010
42	Taro Laboratories Ltd.	United States of America	66.30%	—	31/12/2010
43	Taro Hungary Intellectual Property Licensing LLC.	Hungary	66.30%	—	31/12/2010
44	3 Skyline LLC	United States of America	66.30%	—	31/12/2010



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Sr. No.	Name of Subsidiaries	Country of Incorporation	Proportion of ownership interest for the year 2010-11	Proportion of ownership interest for the year 2009-10	Year End
45	One Commerce Drive LLC	United States of America	66.30%	—	31/12/2010
46	Taro Healthcare Limited	United Kingdom	66.30%	—	31/12/2010
47	Taro Industries Limited	United Kingdom	66.30%	—	31/12/2010
48	Taro Manufacturing Limited	United Kingdom	66.30%	—	31/12/2010
49	Tarochem Ltd.	Israel	66.30%	—	31/12/2010
50	Taro Pharmaceutical Laboratories INC	United States of America	66.30%	—	31/12/2010
51	Taro Pharmaceuticals Canada, Ltd.	Canada	66.30%	—	31/12/2010
52	Taro International Limited	United Kingdom	66.30%	—	31/12/2010
53	Taro Pharmaceutical India Private Ltd.	India	66.30%	—	31/03/2011
Partnership Firm					
54	Sun Pharmaceutical Industries	India	97.50%	97.50%	31/03/2011
55	Sun Pharma Exports	India	80.00%	80.00%	31/03/2011
56	Sun Pharma Sikkim	India	97.50%	97.50%	31/03/2011
57	Sun Pharma Drugs	India	98.00%	—	31/03/2011
Controlled Entity					
58	Universal Enterprises (Pvt) Ltd.	India	97.50%	97.50%	31/03/2011

- a. The Financial Statements of the Company and partnership firms at Sr. No. 54 and 56 are audited by Deloitte Haskins & Sells. The Financial Statements in respect of all Other subsidiaries and Partnership Firms are audited by other auditors except in respect of subsidiaries at Sr. No. 13,30 and 32 are unaudited and are consolidated on the basis of management accounts.
- b. The audited consolidated financial statements of Taro Pharmaceutical Industries Ltd and its 20 subsidiaries, listed under Sr.No. 33 to 53 above been drawn up for the year ended 31st December, 2010, where the reporting date is different from the reporting date of the Parent Company. The consolidated financial statements of this subsidiary group as on the date of the acquisition by the Parent Company on 20th September, 2010 have been prepared in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006 ("Accounting Standard 21") by giving effects of significant transactions or other events that occur between the date of the latest available consolidated financial statements of the subsidiary group and the date of acquisition and reported upon by their auditors. Such consolidated financial statements of the subsidiary group for the period ended 31st December, 2010 have been further adjusted, in accordance with the said Accounting Standard 21, for significant transactions of the subsidiary group for the period from 1st January, 2011 to 31st March, 2011 on the basis of the reports of their auditors.

The Group holds 66.30% and 77.30% of beneficial ownership and voting power respectively in the share capital of Taro Pharmaceutical Industries Ltd.

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- c. In respect of subsidiaries at Sr. No. 3, 6, 7, 10, 11 and 12, the reporting date is also as of 31st December, 2010 and different from the reporting date of the Parent Company and the financial statements have been audited by other auditors. In terms of Accounting Standard 21, adjustments have been made for significant transactions of these subsidiaries for the periods from 1st January, 2011 to 31st March, 2011 and 1st January, 2010 to 31st March, 2010, on the basis of their management accounts for the said periods.
- d. Subsidiaries at Sr. No. 1, 13, 30, 32, and 57, have been incorporated during the year ended 31st March, 2011.
- e. The Company is in the process for Liquidation of ZAO Sun Pharma Industries Limited and has appointed Official Liquidator as per the terms of Resolution passed at the General Meeting of the Subsidiary held on 29th October, 2002.
- f. With effect from 01st October, 2010 Sun Farmaceutica Ltda has merged with Tks Farmaceutica Ltda.
- g. With effect from 20th September, 2010 Sun Development Corporation I has merged with Taro Development Corporation.
- h. Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Group. Recognising this purpose, the Group has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed when referred from the individual financial statements.

	As at 31st March, 2011	As at 31st March, 2010
	₹ in Million	₹ in Million
2 a) CONTINGENT LIABILITIES NOT PROVIDED FOR:		
Guarantees Given by the bankers on behalf of the Group	176.3	274.1
Letters of Credit for Imports	187.8	515.0
Liabilities Disputed - Appeals filed with respect to :		
Income Tax on account of Disallowances / Additions	2,562.0	4,167.6
Withholding Tax due, relating to Employees of Taro	2,359.6	—
Sales Tax on account of Rebate / Classification	25.6	11.4
Excise Duty on account of Valuation / Cenvat Credit	326.8	316.6
ESIC Contribution on account of applicability	0.2	0.2
Drug Price Equalisation Account [DPEA] on account of demand towards unintended benefit, including interest there on, enjoyed by the Group	14.0	14.0
Demand by JDGFT import duty with respect to import alleged to be in excess of entitlement as per the Advanced Licence Scheme	11.5	11.1
Other Claims against the Group not acknowledged as debts (Includes ₹ 781.4 million pertaining to Taro)	820.2	6.7
b) Estimated amount of contracts remaining to be executed on Capital Account (Net of Advances)	1,739.3	1,118.7

3 Legal Proceedings

The Company and / or its subsidiaries are involved in various legal proceedings including product liability, contracts, employment claims and other regulatory matters relating to conduct of its business. The Group carries product liability insurance / is contractually indemnified by the manufacturer, for an amount it believes is sufficient for its needs. In respect of other claims, the group believes, these claims do not constitute material litigation matters and with its meritorious defences the ultimate disposition of these matters will not have material adverse effect on its Financial Statements.

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	2010-11	2009-10
	₹ in Million	₹ in Million
4 RESEARCH AND DEVELOPMENT EXPENDITURE INCLUDE:		
On Revenue account	2,860.0	2,083.1
On Capital account	236.1	159.0
5 Net Interest income ₹ 1341.6 Million (Previous Year ₹ 1,138.9 Million) comprises of :		
Interest income		
Bank Deposits	928.8	963.2
Loan	84.7	128.6
Current Investment	134.7	1.4
Long Term Investment	427.6	99.4
Others	343.1	7.8
	1,918.9	1,200.4
Interest Expense		
Fixed Loans	212.7	57.8
Others	364.6	3.7
	577.3	61.5
6 Goodwill on consolidation (Net) comprises of:		
Goodwill in respect of		
Caraco Pharmaceutical Laboratories Ltd.	5,012.0	4,563.5
Sun Farmaceutica Ltda Brazil (see note B 1(f))	—	44.8
TKS Framaceutica Ltda	400.1	327.0
Universal Enterprises (P) Ltd.	7.5	7.5
Taro Pharmaceutical Industries Ltd.	3,182.6	—
Total (A)	8,602.2	4,942.8
Less:		
Capital Reserve in respect of :		
Alkaloida Chemical Company Zrt.	882.5	882.5
Total (B)	882.5	882.5
Total (A-B)	7,719.7	4,060.3
7 Short-term Loan and Cash credit facility from Banks are secured by hypothecation of accounts receivable and inventory, mortgage covering the Group's manufacturing facility and equipment.		

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	Year ended	Year ended
	31st March, 2011	31st March, 2010
	₹ in Million	₹ in Million
8 Accounting Standard (AS-20) on Earnings Per Share		
Profit After Tax	19,073.7	13,469.8
Less : Minority Interest	913.1	(41.0)
Profit used as Numerator for calculating Earnings per share	18,160.6	13,510.8
Weighted Average number of Shares used in computing basic & diluted earnings per share	1,035,581,955	1,035,581,955
Nominal value per share (in ₹)	1.0	1.0
Basic and Diluted Earnings Per Share (in ₹)	17.5	13.0
<p>Consequent to the approval of the members of the Company and upon requisite regulatory compliance, during the year, one equity share of ₹ 5 each of the Company is sub-divided into five equity shares of ₹ 1 each fully paid-up. The Earnings Per Share of ₹ 1 each has been restated for the previous year in accordance with Accounting Standard (AS-20) on "Earnings Per Share" as notified under The Companies (Accounting Standards) Rules, 2006.</p>		
9 Related Party Disclosure - as per Annexure 'A' annexed.		
10 Accounting Standard (AS-17) on Segment Reporting		
a) Primary Segment		
The Group has identified "Pharmaceuticals" as the only primary reportable business segment.		
b) Secondary Segment (By Geographical Segment)		
India	₹ in Million	₹ in Million
Outside India	24,947.2	18,506.6
	33,118.6	20,354.8
Total Sales	58,065.8	38,861.4

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

11 Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are stated at cost of acquisition based on their agreements and are available to the Group in perpetuity. The depreciable amount of intangible assets is arrived at, based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Group.

12 (a) The Group has obtained certain 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 licences, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Group has given refundable interest free security deposits in accordance with the agreed terms.

(b) Lease receipts/payments are recognised in the Profit and Loss Account under "Rent" in Schedule 14, Schedule 18 and Schedule 19.

(c) Operating lease

Group as lessee

The future minimum lease payments under non-cancellable operating lease

- not later than one year ₹ 176.7 Million (Previous year ₹ 98.3 Million)
- later than one year and not later than five years ₹ 477.1 Million (Previous year ₹ 365.1 Million)
- later than five years ₹ 120.1 Million (Previous year ₹ 115.7 Million)

Group as lessor

The future minimum lease payments under non-cancellable operating lease

- not later than one year ₹ 16 Million (Previous year ₹ 17.0 Million)
- later than one year and not later than five years ₹ Nil (Previous year ₹ Nil)
- later than five years ₹ Nil (Previous year ₹ Nil)

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	Year ended 31st March, 2011	Year ended 31st March, 2010
	₹ in Million	₹ in Million
13 Remuneration to Auditors (excluding service tax) :		
Audit Fees	142.8	27.3
In any other manner, for certification etc.	2.5	0.5
Out of pocket expenses	0.2	0.2
Total	145.5	28.0
14 Other Operating Income includes upfront payment received in terms of settlement agreement for the grant of an exclusive license to the licensed patents and know how.		
15 Accounting Standard (AS-15) on Employee benefits		
Contributions are made to Recognised Provident Fund/ Government Provident Fund, Family Pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to ₹ 115.4 Million (Previous year ₹ 96.5 Million)		
Contribution to Provident Fund	106.3	90.3
Contribution to Employees State Insurance Scheme (ESIC) and Employees Deposit Linked Insurance (EDLI)	6.2	3.9
Contribution to Labour Welfare Fund	0.1	0.1
Employer's Contribution to Family Pension Fund	2.8	2.2
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 ₹ 47.4 Million (Previous Year ₹ 42.1 Million) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. After the issuance of Accounting Standard 15 on 'Employee Benefits', commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.		
Category of Plan Assets : The Company's Plan Assets in respect of Gratuity are funded through the Group Scheme of the LIC of India.		
In respect of gratuity (funded):		

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	₹ in Million Year ended	
	31st March, 2011	31st March, 2010
Reconciliation of liability recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	257.3	219.5
Fair value of plan assets	284.2	236.3
Net asset in the Balance sheet	27.0	16.8
Movement in net liability recognised in the Balance sheet		
Net liability / (assets) as at the beginning of the year	(16.8)	(46.3)
Net expense recognised in the Profit and Loss account	30.6	61.1
Contribution during the year	(40.7)	(31.7)
Net liability / (assets) in the Balance sheet	(27.0)	(16.8)
Expense recognised in the Profit and Loss account		
Current service cost	26.7	19.8
Interest cost	18.9	12.5
Expected return on plan assets	(21.4)	(17.1)
Actuarial loss	6.4	45.8
Expense charged to the Profit and Loss account	30.6	61.1
Return on plan assets		
Expected return on plan assets	21.4	17.1
Actuarial gain	3.4	3.4
Actual return on plan assets	24.9	20.5
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	219.5	148.1
Current service cost	26.7	19.8
Interest cost	18.9	12.5
Paid benefits	(17.6)	(10.3)
Actuarial loss	9.8	49.2
Commitments as at the year end	257.3	219.5
Reconciliation of plan assets		
Plan assets as at the beginning of the year	236.3	194.4
Expected return on plan assets	21.4	17.1
Contributions during the year	40.7	31.7
Paid benefits	(17.6)	(10.3)
Actuarial gain	3.4	3.4
Plan assets as at the year end	284.2	236.3
<p>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.</p>		
Discount rate	8.25%	8.00%
Expected return on plan assets	8.25%	8.00%
Expected rate of salary increase	6.00%	6.00%
Mortality	LIC (1994-96) Ultimate	
<p>The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.</p>		



SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2011 (CONSOLIDATED)

	₹ in Million Year ended				
	31st March, 2011	31st March, 2010	31st March, 2009	31st March, 2008	31st March, 2007
Experience adjustment					
On plan liabilities	18.1	57.2	5.4	127.4	3.2
On plan assets	3.4	3.4	4.1	2.5	1.2
Present value of benefit obligation	257.3	219.5	148.1	111.0	76.0
Fair value of plan assets	284.2	236.3	194.3	107.0	85.4
Excess of (obligation over plan assets) / plan assets over obligation	27.0	16.8	46.2	(4.0)	0.8

The contribution expected to be made by the Company during financial year ending 31st March, 2012 is ₹ 38.7 Million.

The above disclosure is provided to the extent applicable and available from the individual Financial Statements of subsidiaries.

16 The following are the outstanding Derivative Contracts entered by the Company & some of its Subsidiaries as on 31st March, 2011.

Nature of Derivative Contract	Currency	Buy / Sell	Cross Currency	Amount in Million	
				As at 31st March, 2011	As at 31st March, 2010
Forward Contracts	US Dollar	Sell	RUPEES	\$ 315.0	\$ 175.0
Cross Currency Swaps	Israeli New Shekel	Buy	US Dollar	\$ 7.7	—
Interest Rate Swaps	US Dollar	Sell	US Dollar	\$ 1.0	—

17 Profit / (Loss) on Sale of Investments (net)

	2010-11 ₹ In Million	2009-10 ₹ In Million
Profit / (Loss) on Sale of Current Investments (net)	406.0	(32.6)
Profit / (Loss) on Sale of Long Term Investments (net)	21.5	105.9
	427.5	73.3

18 Caraco has announced the proposal of merger with another subsidiary of the Company, subject to the approval of Caraco's stockholders. Upon such approval of this arrangement Caraco will become a wholly owned subsidiary of the Company.

19 As a result of the FDA action, Caraco Pharmaceutical Laboratories Ltd. (Caraco) had voluntarily ceased manufacturing operations. Caraco has engaged a consulting firm which is comprised of current good manufacturing practice ("cGMP") experts, in accordance with the Consent Decree, and submitted a work plan to the FDA in October 2009 for remedial actions leading to resumption of its manufacturing operations. The FDA approved Caraco's work plan on March 17, 2010 after reviewing and suggesting certain modifications. On June 24, 2010 the FDA notified Caraco that its protocol for third party cGMP certification and batch certification, detailing the activities to be conducted by the cGMP consultants, was acceptable. Caraco is in the process of implementing the corrective actions and remedial measures as stipulated in the work plan.

20 The consolidated Financial Statements includes total assets of ₹ 25,670.9 Million and total liabilities of ₹ 6,948.0 Million as on 31st March, 2011 and total revenues of ₹ 9,946.3 Million, Profit before Tax of ₹ 2,464.5 Million and Profit after Tax of ₹ 2,028.5 Million for the period from 20th September, 2010 to 31st March, 2011, consequent to acquisition of Taro Group with effect from 20th September, 2010.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2011 (CONSOLIDATED)

- 21 At the date of acquisition of Taro Group on 20th September, 2010, the Group has inter alia taken over net deferred tax assets aggregating ₹ 3193.7 Million of which ₹ 190.7 Million has already been set off as TARO Group has reported profit before tax of ₹ 2464.5 Million for the period from 20th September, 2010 to 31st March, 2011. The balance of such deferred tax assets comprises timing difference related to accrued expenses, net operating losses carried forward, amortisation and R & D expenses. TARO Group has a history of profitability except that tax losses had arisen in some of the years mainly on account of unanticipated extraordinary excessive product return. Based on this performance, favourable business environment, current product portfolio, new products under development and products having exclusivity period in the Unites States of America, the Management believes continuation of such profitability over future period, which represents virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- 22 Taro Pharmaceutical Industries Ltd has closed during 2010, the manufacturing facility of its subsidiary in Ireland and decided to sell the facility. The related assets of ₹194.3 Million, Liabilities of ₹11.6 Million, Revenues of ₹11.9 Million and losses of ₹ 31.6 Million attributable to its Irish Subsidiary has been considered in the Consolidated Financial Statements.
- 23 With respect to payment under various loan agreements, TARO is not in compliance with certain financial reporting covenants and other provisions contained in the related loan agreements. Due to this, various creditors have the right to accelarete their indebtedness and certain creditors may elect to proceed against the collateral granted to them to secure such indebtedness. In the event such indebtedness is accelerated, Management believes that it has sufficient capacity to satisfy such obligation. Also with filling of Annual Reports of the company from 2007 to 2010, TARO would be in complince of all financial and reporting requirements under the debt instrument prospectively.
- 24 In terms of Collective bargaining agreement between Taro Pharmaceutical Industries Ltd (employer) with it's employees at Israel, a one time payment of ₹ 66.78 Million has been accrued as on March 2011, which is to be divided among Taro Israeli Employees.
- 25 As per the best estimate of the management, provision has been made as per Accounting Standard (AS) 29, as notified by Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.

	2010-11 ₹ In Million	2009-10 ₹ In Million
Provision*		
Opening balance	19.3	7.0
Add: Taken over on acquisition of Taro	4,470.4	—
Add: Provision for the year	7,497.2	12.3
Less: Utilisation / Settlement	(7,251.6)	—
Closing balance	4,735.3	19.3

* The above includes provisions for Product returns, Chargebacks, Medicaid, cash discount and rebates and Pending Lawsuits, penalties and fines (air pollution, waste water).

Provisions for returns, Medicaid and indirect rebates are included in current liabilities. All other sales deductions allowances are recorded as accounts receivable reserves/provisions and reduced from debtors. The provisions for returns is included in current liabilities as substantially all of these returns will not be realized until after the year-end accounts receivable balances are settled. Medicaid and indirect rebates are included in current liabilities because the Company does not have direct customer relationships with any of the payees.

- 26 Statement regarding subsidiary companies as required under section 212 (8) of the Companies Act, 1956 pursuant to General Circular no. 2/2011 dated February 8th, 2011 issued by the Ministry of Corporate Affairs - As per Annexure 'B'
- 27 Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the group financial statements.
- 28 Previous year's figures are restated / regrouped / rearranged wherever necessary in order to confirm to current year's groupings and classifications.



ANNEXURE 'A' TO NOTES TO FINANCIAL STATEMENTS

(CONSOLIDATED)

ACCOUNTING STANDARD (AS-18) " RELATED PARTY DISCLOSURE "

Names of related parties and description of relationship		
1. Key Management Personnel	Mr. Dilip S. Shanghvi Mr. Sudhir V. Valia Mr. Sailesh T. Desai Mr. S. Kalyanasundaram	Chairman & Managing Director Wholetime Director Wholetime Director Chief Executive Officer and Wholetime Director
2. Relatives of Key Management Personnel	Mr. Aalok Shanghvi Ms. Khyati Valia	Son of Chairman and Managing Director Daughter of Wholetime Director
3. Enterprise under significant Influence of Key Management Personnel or their relatives	Sun Petrochemicals Pvt Ltd Navjivan Rasayan (Gujarat) Pvt Ltd Sun Pharma Advanced Research Company Ltd Reanal Ltd Sugandh Management Consultancy	

₹ in Million

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise under Significant Influence of Key Management Personnel or their relatives		Total	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
Purchases of goods / DEPB	—	—	—	—	1.1	1.1	1.1	1.1
Sun Petrochemical Pvt Ltd	—	—	—	—	0.9	1.1	0.9	1.1
Reanal Ltd	—	—	—	—	0.2	—	0.2	—
Purchase of Fixed Assets	—	—	—	—	0.2	—	0.2	—
Sun Pharma Advanced Research Company Ltd	—	—	—	—	0.2	—	0.2	—
Sale of goods / DEPB	—	—	—	—	13.7	17.8	13.7	17.8
Sun Petrochemical Pvt Ltd	—	—	—	—	1.7	4.2	1.7	4.2
Sun Pharma Advanced Research Company Ltd	—	—	—	—	120	13.6	120	13.6
Sale of Fixed Asset	—	—	—	—	0.2	19.1	0.2	19.1
Sun Pharma Advanced Research Company Ltd	—	—	—	—	0.2	—	0.2	—
Sun Petrochemical Pvt Ltd	—	—	—	—	—	19.1	—	19.1
Receiving of Service / Reimbursement Services	—	—	—	—	95.2	12.4	95.2	12.4
Sun Pharma Advanced Research Company Ltd	—	—	—	—	95.2	12.4	95.2	12.4
Reimbursement of Expenses	—	—	—	—	0.5	1.1	0.5	1.1
Sun Pharma Advanced Research Company Ltd	—	—	—	—	0.5	1.1	0.5	1.1
Rendering of Service / Reimbursement Services	—	—	—	—	—	3.8	—	3.8
Sun Petrochemical Pvt Ltd	—	—	—	—	—	3.8	—	3.8

ANNEXURE 'A' TO NOTES TO FINANCIAL STATEMENTS

(CONSOLIDATED)

₹ in Million

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise under Significant Influence of Key Management Personnel or their relatives		Total	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
Reimbursement of Expenses	—	—	—	—	24.8	25.9	24.8	25.9
Sun Pharma Advanced Research Company Ltd	—	—	—	—	24.8	25.9	24.8	25.9
Loans Given	—	—	—	—	140.7	413.9	140.7	413.9
Sugandh Management Consultancy	—	—	—	—	140.7	413.9	140.7	413.9
Loans Received back / Share Application Money Refund	—	—	—	—	131.4	113.9	131.4	113.9
Sugandh Management Consultancy	—	—	—	—	131.4	113.9	131.4	113.9
Corporate Guarantee Given/ (Released) on behalf	—	—	—	—	—	(125.0)	—	(125.0)
Sun Pharma Advanced Research Company Ltd	—	—	—	—	—	(125.0)	—	(125.0)
Rent Income	—	—	—	—	1.4	0.7	1.4	0.7
Navjivan Rasayan (Gujarat) Pvt Ltd	—	—	—	—	0.1	0.1	0.1	0.1
Sun Pharma Advanced Research Company Ltd	—	—	—	—	1.3	0.6	1.3	0.6
Director's Remuneration	61.6	35.8	—	—	—	—	61.6	35.8
Mr. Dilip S. Shanghvi	16.9	15.0	—	—	—	—	16.9	15.0
Mr. Sudhir V. Valia	16.9	15.0	—	—	—	—	16.9	15.0
Mr. Sailesh T. Desai	7.8	5.8	—	—	—	—	7.8	5.8
Mr. S. Kalyanasundaram	20.0	—	—	—	—	—	20.0	—
Apprenticeship Stipend / Remuneration	—	—	1.4	0.8	—	—	1.4	0.8
Mr. Aalok Shanghvi	—	—	0.9	0.5	—	—	0.9	0.5
Ms. Khyati Valia	—	—	0.5	0.3	—	—	0.5	0.3
Outstanding Receivables / (Payables) (Net)	(11.7)	(7.6)	(0.2)	(0.2)	20.9	48.4	9.0	40.6
Sun Pharma Advanced Research Company Ltd	—	—	—	—	20.9	47.1	20.9	47.1
Mr. Dilip S. Shanghvi	(3.6)	(3.2)	—	—	—	—	(3.6)	(3.2)
Mr. Sudhir V. Valia	(3.6)	(3.2)	—	—	—	—	(3.6)	(3.2)
Mr. Sailesh T. Desai	(1.4)	(1.2)	—	—	—	—	(1.4)	(1.2)
Mr. S. Kalyanasundaram	(3.1)	—	—	—	—	—	(3.1)	—
Others	—	—	(0.2)	(0.2)	—	1.3	(0.2)	1.1