Auditors and Auditors' Report

Your Company’s auditors, Price Waterhouse, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. Your Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956. The observations of the auditors in their report on accounts read with relevant notes are self-explanatory.

Acknowledgments

Your Directors wish to thank all stakeholders and business partners - your company’s bankers, financial institutions, 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


Speciality area emphasis remains the single factor driving growth at the company and is central to all that we do. Replicating the strategy that has worked for us in the domestic market across the high growth international markets of our interest remains an area of the highest priority, as markets the worldover converge on quality and regulatory requirements.

As new entrants try to make a mark in speciality segments in the domestic formulations arena attracted by the sustainable nature of margins, price led competition seems to be the entry strategy of the day. However, increasing competitive interest in these therapy areas that are largely undertreated also increases the noise factor for a product in the long term and shifts existing prescriptions from older molecules to actively promoted therapies. There is, as such, no sure fire formula to building or protecting market shares in speciality therapy areas, and there is no short cut to building stable, carefully nurtured customer relationships.

This year too, growth is the sum total of 2 sectors: the domestic formulation market with leadership in key therapy areas and our continued efforts in the international market for bulk actives. Our well proven skills in research - both in dosage form development and process chemistry help support our growth plans in these sectors. With this rich speciality product basket the international market for dosage forms is virtually an untapped opportunity, and in context of structural changes we had put in place a year ago, the turnaround has begun and we expect this change to happen over the next 2 years.

We closed the year ended March 2001 with a domestic market ranking of 5th (note: and continue to hold this rank despite industry wide consolidation well into 2002). As we continue to build strong relationships with customers we recognize a fact: even as a well run, efficient pharma company, our role at best can be that of a facilitator or partner in the entire healthcare equation. As the doctor repairs, heals, corrects or reshapes, all that we do is to offer him a palette of treatment options that he can deploy as he thinks most appropriate.
Summary

Total income was up 29%, largely due to continued domestic market growth.

Domestic market formulation growth of 22% factors in a much larger base and increasing competitive interest in our key therapy areas. The correction plan for dosage form exports which was put in place in 2000, clearly requires more time to pan out- the direction is clear, and the correction process has begun: pruning product lists in some markets and a clear definition of the number of high growth therapy areas that we intend to be identified with.

The export of speciality bulk actives crossed Rs. 84cr. The approval by the USFDA of the Ahmednagar bulk active plant has helped in selling to large customers across the regulated markets of North America and Europe, and a number of bulk actives that have been filed for, await approval. (note: Panoli was submitted for USFDA approval in 2001-02).

As per data from the ORG Retail Chemist Audit for March 2001, across segments we registered a growth of over 24%, a rate that is clearly 3 times that for the industry (note: and in 2001 despite a slowdown in industry we maintained these numbers). Market share for March 2001 was 2.61%, up from 2.49% for March 2000 (and was 2.77% in Dec 2001). With newer treatment options and increased usage, our speciality therapy areas continue to grow faster than industry average.

Finance

All the banks in consortium continue to offer their highest rating to your Company enabling it to source funds from banks at the finest rate of interest. CRISIL continued to reaffirm their highest rating of "P1+", for your Company’s Commercial Paper Program throughout the year.

During the year under review, your Company redeemed 1/3rd of the outstanding 49,07,500 N Non Convertible Redeemable Preference Shares of Rs. 100 each as per the terms of the issue. (These preference shares were redeemed completely by December 2001.)

The Company does not offer any Fixed Deposit schemes.

Directors

Shri Hasmukh S. Shah was appointed as the Company’s additional director by the Board of Directors with effect from 22nd March, 2001 and was appointed by the members of your Company as the director liable to retire by rotation a the Annual General Meeting held on 28th November, 2001 (which has now been adjourned to 19th March, 2002). The resignation of Shri S. Mohanchand Dadha as the Executive Director of the Company was accepted w.e.f. 21st March, 2001 by the Board at its Board Meeting held on 22nd March, 2001. Shri S. Mohanchand Dadha continued to be a Director on the Board, liable to retire by rotation.

Shri S. Mohanchand Dadha and Shri Narendra N. Borkar retired by rotation and were re-appointed as the directors liable to retire by rotation on 28th November, 2001 when your company’s Ninth Annual General Meeting was convened.

Directors’ Responsibility Statement

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

- That in the preparation of the annual accounts for the financial year ended 31st March, 2001 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts for the financial year ended 31st March, 2001 on a ‘going concern’ basis.
A consistent value system

Our performance this year should be viewed against our value system and all that it represents: A respect for resources. Insistence on integrity. A will to deliver growth that is sustainable. A respect for people. A mindset that is achievement-driven. This is the philosophy that all of us work by.

Human Resources

The credit for generating one of the finest ROCE in the industry and delivering growth year after year goes to Team Sun Pharma. Team Sun Pharma now numbers over 2600 employees. We would venture to say that this team enjoys some of the finest minds in the sector - the fact that this team is largely home grown, nurtured with skillsets that have grown with the company, only ensures that all of us are aligned to the same set of ideals. This spirit of enterprise and achievement is the finest asset at Sun Pharma. Your directors wish to thank Team Sun Pharma for its relentless efforts.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available in the Company’s registered office. As per the provisions of Section 219(3)(iv) of the said Act, the Report and Accounts are being sent to all Company shareholders excluding the statement of particulars of employees u/s 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the registered office of the Company.

Additional Information

The additional information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this report.

Therapy review

Psychiatry and neurology accounted for over 33% of sales. Cardiology and diabetology accounted for 25.75%. 6 brands continued to feature among the top 300 pharma brands in the domestic market. Gynaec and orthopedics began to deliver on their high growth promise as new product successes were witnessed in these areas. Among recently launched brands, Oleanz and Celact were rated among the best launches in the pharma industry for 2000.

The CMARC audits continue to signal strong customer support in key therapy areas and highlighted action areas for correction well before prescription trends became evident. In 2000-01 a number of interesting bulk actives were scaled up, taking the total for active promotion to over 80.
In schizophrenia, therapy slowly a state of synchronicity. 

5.7/1000 in the urban, 11.9/1000 in the rural and an overall 9/1000 in the total is the most common neurological disorder after headaches, the incidences for epilepsy are which approx. one third is epilepsy... In India there are an estimated 8 mill epileptics, and this post herpetic nerve pain has found increasing acceptance as reflected by a doubling of its sales.

Antiepileptics continues to be mainstay of Synergy’s business with Zeptol, Encorate, Lonazep, Gabantin firmly establishing Synergy as one of the top contenders in this area. Encorate, the antiepileptic, seems well placed to cross milestones-the long acting form Encorate chrono offers compliance related advantages as also creates a technology related entry barrier for competitors. Gabantin’s usage as the treatment of choice in diabetic neuropathy and post herpetic nerve pain has found increasing acceptance as reflected by a doubling of its sales.

For the 5th year running, Synergy continued to reiterate its top standing with the key customer groups of psychiatrists and neurologists, backed by an increasing share of prescriptions. Several new entrants in these high growth therapy areas not only translated into aggressive new product introduction, but also helped grow the market in terms of faster pickup and acceptance of new products by doctors.

An interesting change in Synergy’s top product roll call was the inching in of the antipsychotic Oleanz among its top 5 products-Oleanz, which was launched last year based on captive bulk active, seems to be displacing older antipsychotics on the strength of its side effect profile—a much lesser propensity for irreversible movement disorders, and a significant improvement on negative symptoms and cognitive impairment compared to older medication. The medication in Oleanz is also being tested in other indications where agitation is an accompanying symptom: agitation with bipolar mania, agitation with Alzheimer’s (more than 75% of patients with Alzheimer’s show agitation).

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Two shades of brain heading: In schizophrenia, therapy slowly a state of synchronicity. In epilepsy, medication “reseta” the firing of neurons restoring a state of synchronicity.

At Sun Pharma, research has been vital to our plans, and increasing amount of management time and company resources continue to be invested in research. Current investments in research take the total spend to over Rs. 80cr, at a steady 4% of the turnover. The work at SPARC has enabled us to bring a stream of new products to the market. Over 40% of the current turnover is from products that have been introduced in the last 5 years.

In the last few years, one has witnessed a change in the business mix among Indian pharma companies from an entirely reverse engineered portfolio of brands sold in the domestic and neighbouring markets, to revenue streams that include an element of research-based products and international markets.

This change in the business structure necessarily forces an element of change across operations as skill-sets are refurbished - legal and regulatory understanding now needs to be made more comprehensive, quality is now moving towards a mean across markets and becoming increasingly stringent. To summarise: virtually unparalleled opportunity exists, but is demanding too. Companies that are well prepared, and can judiciously balance the inevitable troughs in these challenging markets are the ones that are best placed to succeed.

At Sun Pharma, our conservative policy of timing research investments over the short-term, the medium-term and long-term have helped spread the associated risk. In the short-term the emphasis continues to be on process development for specialty bulk actives and development of formulations for the domestic and traditional markets. Our emphasis for the medium-term is on novel drug delivery systems and formulation development for the regulated markets. Our foray in drug discovery continues - this had begun in a modest manner 2 years ago with a 40-person team focusing on 3 therapy areas (the names of which we expect to share only later because of intellectual property right related reasons).

A better handle on logistics and need for interaction with our existing scientific team are two reasons why we have changed the location of our proposed R&D centre from Chennai to Baroda. We expect the centre to benefit from synergies with our current research base in Baroda. I expect to share more details about this once the new innovation based campus commences operations.

We envisage this new research initiative as adding vital elements to our research matrix. With the continual infusion of new skills, we will be well placed to make the most of exciting opportunities ahead.

"In Karnataka, about 3% of the population suffer from some kind of neurological disorder, of which approx. one third is epilepsy... In India there are an estimated 8 mill epileptics, and this is the most common neurological disorder after headaches, the incidences for epilepsy are 5.7/1000 in the urban, 11.9/1000 in the rural and an overall 9/1000 in the total population... other conditions like PD, stroke, mental retardation, tremors are much lower in the order of conditions...".

-Report on the Indian Pediatric Congress in Bangalore, Dec 12,2000, pharma pix.com
Update on Caraco

We continue to be extremely enthusiastic about the US generics market, although we recognise that competing in this market requires a more complex and intense set of skills. According to a report, drugs with branded sales of over $40 billion would have come off patent in the period 2000-2005. More heartening — generics accounted for a full 50% of US sales in 2001, up from 18% a decade ago. (FTI Lex column, Dec 2, 2001) IMS values the current market for generics at $10.26 million, with 6 of the top 20 prescription drugs coming off patent in a 5-year period. (Chemical Market Reporter, May 15, 2000)

When we wrote to you last year, we had shared our blueprint to engineer a turnaround at Caraco, a US-based generic formulations manufacturer. Sun Pharma holds a 48.54% stake in the company. We update you on the events in the interim.*

(This report relates to the period up to March 01, and subsequent period results are linked separately wherever relevant)

Caraco posted sales of $2.38 million and loss of $7.62 million (includes a $3.30 million loss that was incurred for R&D work related to product filings) for the year ended Dec 2000, primarily due to an unforeseen delay in receiving new product approvals, focus of all management time and resources to secure FDA compliance and a cutback on contract manufacturing as the company tried to focus on more profitable business.

(Note: Caraco subsequently received approvals for 3 full ANDAs and the q3 numbers for Sep-Dec 2001 would be the first full quarter that sales from these new approvals would be booked. 2 more products were cleared after September. Currently Caraco has 4 ANDAs awaiting approval, and a number of interesting new products in the 21-product strong development pipeline).

Several developments in the US generic market reiterate our long-term faith in an upside opportunity. For one, Indian companies have begun to demonstrate concrete revenue streams from the US generic market. Increasing pressures on cost containment are also making the market for generics more attractive. In the recent past, several decisive trends have been pro-generic. Some of these are - increasing public pressure for less expensive generics fuelled by a strong senior citizen and consumer lobby, regulatory, federal as well as state events in the interim.*

Diabetes and depression: Diabetes seems to be twice as likely to suffer from depression as those without the disease, say doctors at the University of Washington after analysis of 25 years of data, and this can be a typical chicken and egg situation.

Hypertension and depression: People who experience depression/anxiety are at increased risk of developing hypertension, says the result of a 2-decade study with the CDC. The increase in risk is comparable to a 10 point change in baseline diastolic pressure or a 10 point change in body mass index. Low depression and anxiety lead to the development of hypertension is not entirely known, but may be linked to the nervous system response to stress.

The national nutrition examination follow up study,

Diabetes Care, June 2001

Heart disease and depression: According to studies at the Duke University research center, which were presented at the annual meeting in March 2001 of the American College of Cardiology, the risk of death is twice as high in a group of congestive heart failure patients who were depressed, compared to patients who were not depressed. Physicians had earlier assumed that heart patients were depressed because they were unhappy about being sick, but it now seems that depression in these heart patients independently predicts a poor outcome, and the occurrence of cardiovascular complications also increased in the depressed group. Apparently, heart rate variability in depressed patients is decreased and the depressed seem to have slickier platelets that are likely to clot together, setting up conditions for a heart attack...

… and the simply just depressed: patients studied over a 4-yr period in Amsterdam showed that depression increases the risk of death in older patients whether or not they have cardiac disease.

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… and the simply just depressed: patients studied over a 4-yr period in Amsterdam showed that depression increases the risk of death in older patients whether or not they have cardiac disease.
Two primary factors that impacted Aztec’s performance for the year included increased competitive interest and a slow down of new product launches.

Aztec witnessed the largest number of new product launches concentrated in any single area, in the area of diabetology.

Internationally, the cardiovascular market is being driven by increasing candidate patient base for certain classes of drugs (particularly lipid lowering agents and antihypertensives) and expanding indications for existing drugs.

Monotrate, an antianginal and the largest selling product for the company was supplemented with the launch of Monosprin (a combination of the drug in Monotrate with the clot busting agent aspirin). The launch of Monosprin was based on actual co-prescription patterns seen with the single ingredient antianginal.

While there is no significant change in the list of leading products for the division, a number of studies were reported during the course of the year that point to increasing acceptance for Cardivas (carvedilol) and Repace (losartan).

Both Monotrate and Glucored were strongly promoted during the year using an emotionally appealing campaign, the MG Golden Movement campaign.

Hypertension is a risk factor for a continuum of renal damage, and patients with Type 2 diabetes are particularly vulnerable to renal disease. Results from a study called RENAAL* showed that the medication in Repace reduced the risk of end stage renal disease equal to an average delay of 2 years in the need for transplantation or dialysis. Doctors hypothesize that losartan not only controls blood pressure but also controls angiotensin 2 which adversely affects the kidney independent of the blood pressure.

(*=Reduction of end points in NIDDM with angiotensin 2 antagonist losartan study)
Total income increased by 29% over last year. At the net level, profit increased by 49% over last year. However, these numbers are not strictly comparable due to the merger of the three companies as stated above.

Your Company operates in only one major business segment, namely pharmaceuticals. The domestic formulation business grew by 22% to Rs 1.18 billion. Export grew by 4% to Rs 3.70 billion. Export grew by 4% to Rs 1.18 billion. (This is after adjusting for the sales of Sun Pharmaceutical Exports Ltd. in the previous year ending March 2000.)

Brand building and research continue to be the primary thrust areas within the Company - as competition across all our specialty segments intensifies, we continue with the task of building our business around customer aspirations and abiding business relationships. Your Company continues to operate by the belief that strong customer relationships are the most appropriate prescription for long-term, consistent and dependable growth. Across all our specialty therapy areas - both the core areas where we hold market leadership, as well as newer therapy areas where we are working towards attaining market leadership, this principle remains unchanged. Our objective is to become a better company - not merely a larger company. A natural corollary to this aim is improved efficiency, sharper focus and an emphasis on strong brands, research and international markets.

Management discussion and analysis-

Value from consistent revenue streams

Against a competitive framework that witnessed several mergers & acquisitions as the Indian pharma industry continued to consolidate; we closed the year at 5th rank, with a growth rate of 24.4%, which is about more than twice that for the domestic pharma industry. Market share moved from 2.28% to 2.61% despite continued competitive interest in our business areas. Competition not only forces companies with the first mover advantage like us in certain therapy areas to work harder; it also helps grow markets through increased awareness and appreciation of treatments for complex diseases.

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Alzolam and Pantocid remain as the star players for the Sun division. Alzolam witnessed increased interest in its market from lower priced competitors. Pantocid, the proton pump inhibitor for the treatment of ulcers that was launched last year continued to notch success due to its efficacy and safety profile. The launch of Pantocid IV for the first time in India was another major landmark for the division.

With the introduction of Mozax, the latest treatment for gastroesophageal reflux, the division continued to make headway with Gastroenterologists and Physicians. Mozax offers a much better cardiac safety profile compared to its precursor molecules. The market for Mozax is promising as it is expected to replace the older molecule in this category, namely Cisapride.

Irovel (irbesartan), the follow on molecule to losartan (promoted as Repace by the Aztec division), and AT2 receptor blocker specifically introduced in order to top up the line of commonly prescribed antihypertensives. The medication in Irovel appears to have advantages in patients with type 2 diabetes where it appears to delay the progression of renal disease, however the US FDA recently turned down approval for this use as a separate indication for the original research brand. Several earlier studies had indicated that kidney protection and the delay in dialysis were independent of irbesartan’s blood pressure lowering effect.

SUN

In GERD, the acidic contents of the stomach can surge back into the oesophagus and cause cell damage.

Generalized anxiety disorder

Less than 50% of patients with generalized anxiety disorder (GAD) experience a partial or full remission over 5 years, according to a study reported in the British Journal of Psychiatry. A significant number of the world’s population is affected by a chronic anxiety that is so severe that its disabling effects are more serious than lung disease, sleep disorders, drug addiction and major depression. GAD affects 5% of the population and is poorly recognised—less than 20% receive proper treatment. The key characteristic of GAD is loss of control over worrying. This worrying lasts for months and years, resulting in sleeplessness, irritability, poor concentration and muscle tension. The worry and anxiety can impair all social roles, and this can worsen coexisting health conditions and chronic depression.

The company’s financial results for the year ended 31st March, 2001, are summarized as follows:

**Financial Results**

<table>
<thead>
<tr>
<th>Year ended 31st March, 2001 (Rs. Millions)</th>
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<tbody>
<tr>
<td>Total Income</td>
</tr>
<tr>
<td>6211</td>
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<tr>
<td>Profit after tax</td>
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<td>1352</td>
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<tr>
<td>Dividend</td>
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<td>Preference Shares</td>
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<tr>
<td>Equity Shares Interim</td>
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<td>33</td>
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<tr>
<td>Transfer to various Reserves</td>
</tr>
<tr>
<td>664</td>
</tr>
<tr>
<td>Rate of dividend including interim on equity shares @50%</td>
</tr>
<tr>
<td>100%</td>
</tr>
<tr>
<td>Book value per equity share (Rs.)</td>
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An interim dividend of 9.5% (previous year 10.5%) p.a. was paid to the preference shareholders whose names stood on the register of members on 15th March, 2001. An interim dividend @ 50% post bonus (previous year 100% pre bonus) was paid to the equity shareholders of the Company whose names stood on the register of members on 2nd August, 2001. Your Directors recommend that the interim dividend on preference and equity shares be treated as final.

**Annual General Meeting and its adjournment**

As the shareholders are aware, the audited profit and loss account for the year ended 31st March, 2001 and the balance sheet as at the said date could not be presented before the shareholders at the Annual General Meeting (AGM) of the Company held on 28th November, 2001. This is because the accounting effect of the Scheme of Amalgamation/Merger of Pradeep Drug Company Ltd. with the Company w.e.f. 1st April, 2000 could not be incorporated in the accounts of the Company for the financial year 2000-2001, until the Scheme of Amalgamation/Merger was sanctioned by the Board for Industrial and Financial Reconstruction (BIFR). Accordingly, the said AGM was adjourned sine die for consideration of the audited accounts, the report of the Directors and the Auditors thereon for the year ended 31st March, 2001, confirmation of payment of interim dividend and the re-appointment of statutory auditors until after the sanction of the scheme by BIFR.

The Scheme of Amalgamation/Merger of Pradeep Drug Company Ltd. with your Company has been duly sanctioned by BIFR at its meeting held on 31st January, 2002.
ISO 14001 approval

Responsibility with respect to third party’s patent rights in a specific country lies with the buyer. All transactions are carried out in conformity with patent laws applicable in the user country.

A section of the Ahmednagar bulk active plant - this recently received US FDA approval, ISO 9002 approval and ISO 14001 approval.

ISO 14001 approval

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Stressed out? You’ve got company in 15% Indians

A new medication class for arthritis

A new type of NSAID, COX-2 inhibitors, has joined the old standbys, the NSAIDs. These drugs help suppress arthritis with less stomach irritation. Cyclooxygenases are enzymes needed for the synthesis of hormone-like substances called prostaglandins. There are two types of cyclooxygenases: the COX-2 enzyme that mediates inflammation and pain, and the COX-1 enzyme that helps maintain other physiological functions in the body. Traditional NSAIDs inhibit both enzymes. The new NSAIDs, however, block mostly the COX-2 enzyme, offering a new treatment option for people who have had difficulty tolerating the old NSAIDs, “COX-2 inhibitors are just as effective in treating osteoarthritis as other NSAIDs,” says Maria Villalba, M.D., a medical officer with the Food and Drug Administration’s Center for Drug Evaluation and Research. The FDA approved the first COX-2 inhibitor, celecoxib in 1998 to treat rheumatoid arthritis and osteoarthritis. Rofecoxib became the second COX-2 inhibitor to receive approval, in 1999, for the treatment of osteoarthritis and related reasons. SUCCESS-1 covered 13000 patients in 39 countries and 112 sites, which should help take into account any genetic variations related to the drug’s efficacy or safety.

About 1% of India’s one billion population suffers from severe mental disorders and another 5% from less serious problems, according to Dr. R S M urthy, editor of the WHO report “Mental health: new understanding, new hope” at any given time in a general clinic in India, around 10-15% patients have symptoms of emotional stress and disorder. In India, the severity of the problem is due to not having done enough, soon enough!” Story in The Economic Times, October 8, 2001.

From the U.S. Food and Drug Administration FDA Consumer magazine, May-June '00
A slew of new products in the respiratory and pain areas helped Solares add to its standing with respiratory specialists and consultants. The cox 2 inhibitor Rofact (rofecoxib), with a once a day treatment advantage, quickly emerged as one of the division’s primary products. Clinical data from several trials have backed its safety profile.

Betaday (bambuterol) was an important addition to the Solares asthma portfolio for maintenance therapy in asthma and COPD. With this introduction, Solares has a presence across all the subsegments in the asthma area. The medication in Betaday is a long acting bronchodilator and gets converted to terbutaline in the body, which is one of the most commonly prescribed asthma medications. Since Betaday acts over a 24 hour period, patient compliance is good and problems that arise with long term use of some of the other medications, like tremors and palpitations are not experienced with this drug.

**SOLARES**

**NEW**

Betaday - Rofact - Fexotrol - Graniset - Mozasef

**TOP 5 PRODUCTS**

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>31Mar 01</th>
<th>31Mar 00</th>
</tr>
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<tbody>
<tr>
<td>Coldact</td>
<td>10.84</td>
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<td>Spilanz</td>
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<td>2.84</td>
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<tr>
<td>Natamox</td>
<td>4.21</td>
<td>16.8</td>
</tr>
<tr>
<td>Zoler</td>
<td>2.64</td>
<td>39.9</td>
</tr>
</tbody>
</table>

(A Hq Retail Chemist India, March 2001)

**Points to an Asthma Epidemic**

- Children growing up in rural settings in developing countries, and on farms close to animals are less likely to develop allergies and asthma. This may be due to allergy protective effects of environmental endotoxins.
- A curious finding - children with asthma are more likely to develop allergies and asthma.
- A 56-country study of asthma in childhood lists conditions critical in the development of asthma:
  - Allergen exposure: to dust mites, cat allergens
  - Air pollutants: While tobacco smoke, traffic exhaust are linked as asthma triggers, evidence suggests that tobacco smoke exposure could be linked to child asthma.
  - Body mass index and asthma: heavier people are more likely to be asthma prone.
  - Studies point to the protective effect that early life respiratory infections have against asthma.

**MILMET**

- Azelast eye drops (azelastine)
- Ketorid eye drops (ketorid)
- Millox DM eye drops (cipro + dexamethasone)
- Facidase (sodium hyaluronidase)
- Natamet eye drops (natamycin)
- Blunting (tripyan blue)

**AZTEC**

- Glynpride (glimperide)
- Rapilin (repaglinide)
- Rezult ( sipilizotan)
- Repace A and AF (isosartan + amloidine)
- Aizazide (HCTZ)
- Monosprin (isosorbide mononitrate + aspirin)
- Silubrets (subbutrim)

**SYNERGY**

- Venz XR (extended release venlafaxine)
- Nodict (naltrexone)

**INCA**

- Cytoprotein (amifostine)
- Puregest (pure progesterone pessaries)
- Aredronet (pamidronate)

**SPECTRA**

- Susten (pure progesterone pessaries)
- Sterostep (predicarbate)

**SYMBIOSIS**

- Rimarex (macolombreide)
- Mirtaz (mitrazapine)

**SUN**

- Panceid IV (pantoprazole iv)
- Irrvel (ibesartan)
- Mozex (mosapride)
- Edegra (siladenil)
- Prazoprex XL (somatic release prazosin)
- Pioogit (plostalatzone)

**SOLARES**

- Betaday (bambuterol)
- Rofact (rofecoxib)
- Fexotrol (fexofenadine)
- Graniset (granisetron)
- Mozasef (mosapride)

**PRODUCT**

- Antiinflammatory Drugs
- Painful Eye Conditions
- Antihypertensive
- Viscoelastic
- Antiungal

**THERAPY AREA**

- Antiinflammation
- Painful Eye Conditions
- Antinfective
- Viscoelastic
- Antiungal

**USE**

- Ocular Allergy
- Ocular Infections
- Ocular Allergy
- Ocular Infections
- Ocular Allergy

**Table: Fire Health Care, May 2000**

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<thead>
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<th>PRODUCT</th>
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<tr>
<td>Milmet</td>
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<tr>
<td>Solares</td>
<td>10.84</td>
<td>0.1</td>
</tr>
</tbody>
</table>

- article in The Times Of India, 15 Nov 2001

**Experts warn about the dangers of untreated Asthma epidemic**

“The incidence of asthma around the world is growing alarming... what’s more, we don’t quite understand the cause of this global surge in breathlessness. Children are the worst hit, and one among 10 children in the U.S. has asthma...this is a staggering number because this disease causes tremendous amount of morbidity and mortality...the WHO estimates that along asthma, COPD will become the third leading cause of death by 2020 around the globe.”

- article in The Times Of India, 15 Nov 2001

**In the News**

- The annual product development labs at GRAC, New Delhi are quick to introduce new molecules to make a headway in this therapy area.
The ramp up of new product launches continued to strengthen Milmet’s presence in the high growth area of ophthalmology. Now the product offering ranges across antiinfectives, antiviral, antiinflammatory combinations, antifungals, antiglaucoma products, products for eye allergies as well as products that are used in eye operations and products for in clinic use like cycloplegics and mydriatics.

The list of top products also featured an interesting change with new product Azelast (azelastine), an ocular antiallergic quickly entering the new product list. Natamet (natamycin), contains medication that is the gold standard for fungal infections of the eye, this is an important addition to Milmet’s product basket. The trio of Timolet GFS (the glaucoma medication Timolol in a gel forming delivery system), Dudrop (for dry eyes) and Ketorid (an antiallergic) continue to find prescriber support among ophthalmologists countrywide.

Are asthma sufferers more prone to heart disease?

Research has linked asthma with heart trouble for years. Doctors now say that even non smokers with asthma have an elevated risk of heart disease-at least one third higher risk. Researchers think that the chronic inflammation in asthma may damage arteries over time, and this is being investigated.

From the message boards

"I am new to the boards and was wondering if anyone has any suggestions that could make life a little more bearable… I am 20 yrs old and was diagnosed with asthma 8 years ago. The doctors have tried every combination of medications that they know of, but my asthma remains uncontrolled. I am an active person and love exercise of all kinds, but that now is being limited. I have been in and out of hospitals. Does anyone have any suggestions that I should run by my docs?"

GLAUCOMA

Doctors call glaucoma a collection of physical signs—increased intraocular pressure, visual field loss, enlargement of blind spot and changes in the appearance of the optic nerve head. Medication is used to reduce aqueous fluid production and increase fluid drainage. An alternative is laser surgery to enlarge of blind spot and changes in the appearance of the optic nerve head. Medication is used to reduce aqueous fluid production and increase fluid drainage. An alternative is laser surgery to increase the outflow of aqueous liquid.

Depression affects 20-30% of the elderly. The elderly are more likely to show anxiety preoccupation, lack of drive and cognitive deficits.
A new name, new launches and a reinvigorated product portfolio encapsulates the story of a turnaround at Spectra. With increasing emphasis on appropriate doctor selection and strategy implementation, we’d like to believe this is the precursor of much better times ahead.

Among new products launched this year, Susten and Anofer helped the division gain a foothold with specialists in the therapy areas of gynaec; while Sterotop did the same for dermatology. With these launches, the process of adding serious gynaec/derma products in order to replace the heritage TDPL portfolio, continues. Anofer, the iron and vitamin supplement specially formulated to meet the needs of nursing mothers, quickly gathered prescriber support in a competitive arena and posted sales of over Rs 2 Cr. Among existing products, Dazolic and Gynazol continued to post interesting numbers. Gynazol (danazol) is used in the treatment of endometriosis. Dazolic finds use in trichomonal vaginitis and pre operative cover for gram negative and anaerobic infections. With the introduction of Susten, Spectra offers products both for the occurrence and subseuance of pregnancy.

Susten (progesterone suppositories) were launched for use in cases of luteal phase defect, where there is a difficulty in maintaining pregnancy due to inadequate progesterone hormone levels. When used as a suppository, the drug gets delivered directly to the uterus and better concentrations are achieved in the uterine lining. Since the product contains progesterone in a micronized form, even if the product is administered rectally or orally it has good bioavailability.

**Fertility and more**

The probability of having a baby decreases 3-5% a year after the age of 30 and even faster after age 40. At the same time, the treat to a woman’s fertility have risen with the switch to newer methods of contraception. These increase the risk that an STD will compromise a woman’s ability to conceive and bear a child. As a woman ages, the risk of miscarriage, stillbirth or premature delivery increase. If a woman's fallopian tubes have been damaged by a pelvic infection or if she has suffered from endometriosis (misplaced growth of uterine lining), fertilization or implantation may be difficult.

How long should a couple wait to seek professional help in having a baby? Infertility associations recommend that for a woman under 35, ovulation timing methods should be limited to a year and those over 35 should not wait more than 6 months before consulting a fertility specialist.

From “What women must know about fertility”, The New York Times, Jan 1, 2002

**From a modest beginning with ICU medications, Inca has gradually gained ground in the three value based specialities, infertility management, oncology, anaesthesiology.**

Vecuron (vecuronium bromide) an anaesthetic, is the division’s largest brand and also the brand leader in this market with a molecule share of over 50%.

Fendrop (fentanyl), an opioid analgesic has been gaining acceptance across all major institutions in India despite the fact that it has to be sold under strict controls.

Inca has been strengthening its presence in the oncology market with several new molecules introduced. Cytofos (amifostine), a medication that protects normal cells during cancer therapy, is likely to become a major product for the division. In treating cancer with chemotherapy or radiation the doctor has to gingerly balance efficacy with side effects that can require delaying treatment cycles or dose reductions. Of particular limiting significance is an irreversible side effect called xerostomia which is commonly encountered while treating head and neck cancers. Amifostine, the medication in Cytofos, can vastly limit loss of taste and irreversible damage to normal cells. When administered with other anticancer medications such as cisplatin or taxanes, amifostine can limit kidney and liver toxicities making it possible to complete course of the anticancer treatment.

Another major product that offers tremendous potential is Aredronet (pamidronet), a drug that is used to treat hypercalcemia associated with cancer, especially breast cancer and multiple myeloma. Aredronet prevents demineralization, thus protecting bones.

**Amifostine, the medication in Cytofos, has a cell protective effect which helps doctors limit the side-effects of anticancer regimens**

**First with Cardiject and Adenosject and then with Fendrop and Vecuron, Inca’s critical care products are a standard part of the OT tray across reputed hospitals**

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Retail Chemist sales not mentioned since sales are hence not adequately reported in market audits.

Increase the outflow of aqueous liquid to reduce aqueous fluid production and increase fluid drainage. An alternative is laser surgery to enlargement of blind spot and changes in the appearance of the optic nerve head. Medication is used Doctors call glaucoma a collection of physical signs: increased intraocular pressure, visual field loss, enlargement of blind spot and changes in the appearance of the optic nerve head. Medication is used to reduce aqueous fluid production and increase fluid drainage. An alternative is laser surgery to increase the outflow of aqueous liquid.

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The list of new products now offers a product with a technology advantage: Timolet GFS.

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A slew of new products in the respiratory and pain areas helped Solares add to its standing with respiratory specialists and consultants. The cox 2 inhibitor Rofact (rofecoxib), with a once a day treatment advantage, quickly emerged as one of the division's primary products. Clinical data from several trials have backed its safety profile.

Betaday (bambuterol) was an important addition to the Solares asthma portfolio for maintenance therapy in asthma and COPD. With this introduction, Solares has a presence across all the subsegments in the asthma area. The medication in Betaday is a long acting bronchodilator and gets converted to terbutaline in the body, which is one of the most commonly prescribed asthma medications. Since Betaday acts over a 24 hour period, patient compliance is good and problems that arise with long term use of some of the other medications, like tremors and palpitations are not experienced with this drug.

**POINTERS TO AN ASThma EPIDEMIC**

A 56 - country study of asthma in childhood lists conditions critical in the development of asthma:

- **Air pollutants**: While tobacco smoke, traffic exhaust are shortlisted as asthma triggers, evidence suggests that tobacco smoke exposure could be linked to childhood asthma and airway responsiveness.
- **Allergens exposure**: to dust mites, cat allergens
- **Body mass index and asthma**: heavier people are more likely to be asthma prone

The Lancet, May 2000

A curious finding: children growing up in rural settings in developing countries, and on farms close to animals are less likely to develop allergies and asthma... this may be due to allergy protective effects of environmental endotoxins.

Whether adult asthma suffers who have intermittent attacks should be treated all the time is a major puzzle for most specialists. Asthma suffers with mild symptoms can look forward to better treatment guidelines, specifically whether they should be taking antiinflammatory drugs regularly, once the US National Institutes of Health shares results of a large 2 year study called IM PACT.
ISO 14001 approval, FDA approval, ISO 9002 approval and active plant - this recently received US

<table>
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<tr>
<td>Losartan Potassium</td>
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<td>Leuprolide HCl</td>
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<td>Losartan Potassium</td>
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Responsibility with respect to third party’s patent rights in a specific country lies with the buyer.

Response to the FDA Consumer magazine, May-June '00:

A new type of NSAID, COX-2 inhibitors, has joined the old standbys, the traditional NSAIDs. These drugs help suppress arthritis with less stomach irritation. COX-2 inhibitors are enzymes needed for the synthesis of hormone-like substances called prostaglandins. There are two types of cyclooxygenases: the COX-1 enzyme, which helps maintain other physiological functions in the body, and the COX-2 enzyme that mediates inflammation and pain. NSAIDs inhibit both enzymes. These drugs help suppress arthritis with less stomach irritation. The recently concluded global study SUCCESS-1 showed that patients were prescribed cox 2 inhibitors for the treatment of arthritis or acute pain were less likely to withdraw for gastrointestinal side effect related reasons. SUCCESS-1 covered 13000 patients in 39 countries and 112 sites, which should help take into account any genetic variations related to the drug’s efficacy or safety.

About 1% of India’s one billion population suffers from severe mental disorders and another 5% from less serious problems, according to Dr R S Murthy, editor of the WHO report “Mental health: new understanding, new hope.” At any given time in a general clinic in India, around 2-15% patients have symptoms of emotional stress and disorder. In India, the severity of the problem is due to not having done enough, soon enough” Story in The Economic Times, October 8, 2001.

A new medication class for arthritis: Celact can be used in acute pain conditions, such as those caused by sports injuries. Celact can be used in acute pain conditions, such as those caused by sports injuries. Celact, the cox 2 inhibitor launched last year, which incidentally was among the most new products to be launched industry-wide in 2000, continued to notch impressive gains for long term prescriptions in arthritis. Celact offers a much-needed boost for the division and catapults the division among serious contenders in the Orthopaedics segment. The recently concluded global study SUCCESS-1 showed that patients who were prescribed cox 2 inhibitors for the treatment of arthritis or acute pain were less likely to withdraw for gastrointestinal side effect related reasons. SUCCESS-1 covered 13000 patients in 39 countries and 112 sites, which should help take into account any genetic variations related to the drug’s efficacy or safety.

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Alzolam and Pantocid remain as the star players for the Sun division. Alzolam witnessed inroads in its market from lower priced competitors. Pantocid, the proton pump inhibitor for the treatment of ulcers that was launched last year continued to notch success due to its efficacy and safety profile. The launch of Pantocid IV for the first time in India was another major landmark for the division.

With the introduction of Mozax, the latest treatment for gastroesophageal reflux, the division continued to make headway with Gastroenterologists and Physicians. Mozax offers a much better cardiac safety profile compared to its precursor molecules. The market for Mozax is promising as it is expected to replace the older molecule in this category, namely Cisapride.

Irovel (irbesartan), the follow on molecule to losartan (promoted as Repace by the Aztec division), and AT2 receptor blocker specifically introduced in order to top up the line of commonly prescribed antihypertensives. The medication in Irovel appears to have advantages in patients with type 2 diabetes where it appears to delay the progression of renal disease, however the USFDA recently turned down approval for this use as a separate indication for the original research progression of renal disease. The medication in Irovel appears to have advantages that kidney protection and the delay in dialysis were independent of irbesartan's blood pressure lowering effect.

The current year’s results include figures of erstwhile Sun Pharmaceutical Exports Ltd. (SPEL), Sun Pharmaceutical Advanced Research Centre Ltd (SPARC) and Pradeep Drug Company Ltd. (PDCL), which have been merged with the company with effect from April 1, 2000.

An interim dividend at 9.5% (previous year 10.5%) p.a. was paid to the preference shareholders whose names stood on the register of members on 15th March, 2001. An interim dividend @ 50% post bonus (previous year 100% pre bonus) was paid to the equity shareholders of the Company whose names stood on the register of members on 2nd August, 2001. Your Directors recommend that the interim dividend on preference and equity shares be treated as final.

Generalized anxiety disorder
Less than 50% of patients with generalized anxiety disorder (GAD) experience a partial or full remission over 5 years, according to a study reported in the British Journal of Psychiatry. A significant number of the world’s population is affected by a chronic anxiety that is so severe that its disabling effects are more serious than lung disease, sleep disorders, drug addiction and major depression. GAD affects 5% of the population and is poorly recognized—less than 20% receive proper treatment. The key characteristic of GAD is loss of control over worrying. This worrying lasts for months and years, resulting in sleeplessness, irritability, poor concentration and muscle tension. The worry and anxiety can impair all social roles, and this can worsen coexisting health conditions and chronic depression.
Against a backdrop of an overall slowdown that impacted both the economy and the sector, your Company continued to work by its principle of bottom-line focused, operationally efficient growth. To add to this was the lasting sense of uncertainty about the drug policy and the new framework of patent laws compliant with TRIPS. We expect that the new drug policy, when it does finally get announced, will put due cognisance to competitive market realities and cost escalations. As regards TRIPS the industry has been rather vocal - lobbying for certain safeguards that are in line with the country’s long-term healthcare interests. Some of these are compulsory licensing, parallel imports, limiting patent life (preventing patent evergreening), not allowing for import to be equal to the working of a patent, allowing product development work during patent protection (i.e. Bolar amendment in the US context). As corporate citizens we expect these issues to be heard fairly before framing one of the decade’s most influential healthcare legislation within the agreed purview of GATT, of course.

Management discussion and analysis - Value from consistent revenue streams

Total income increased by 29% over last year. At the net level, profit increased by 49% over last year. However, these numbers are not strictly comparable due to the merger of the three companies as stated above.

Your Company operates in only one major business segment, namely pharmaceuticals. The domestic formulation business grew by 22% to Rs 3.70 billion. Export grew by 4% to 1.18 billion. (This is after adjusting for the sales of Sun Pharmaceutical Exports Ltd. in the previous year ending March 2000.)

Brand building and research continue to be the primary thrust areas within the Company - as competition across all our speciality segments intensifies, we continue with the task of building our business around customer aspirations and abiding business relationships. Your Company continues to operate by the belief that strong customer relationships are the most appropriate prescription for long-term, consistent and dependable growth. Across all our specialty therapy areas - both the core areas where we hold market leadership, as well as newer therapy areas where we are working towards attaining market leadership, this principle remains unchanged.

Our objective is to become a better company - not merely a larger company. A natural corollary to this aim is improved efficacy, sharper focus and an emphasis on strong brands, research and international markets.

Against a competitive framework that witnessed several mergers & acquisitions as the Indian pharma industry continued to consolidate; we closed the year at 5th rank, with a growth rate of 24.4%, which is about more than twice that for the domestic pharma industry. Market share moved from 2.28% to 2.61% despite continued competitive interest in our business areas. Competition not only forces companies with the first mover advantage like us in certain therapy areas to work harder; it also helps grow markets through increased awareness and appreciation of treatments for complex diseases.

New cardiovascular guidelines:

Treat quicker.

The American Heart association and the American College of Cardiology recently updated guidelines on preventing heart attacks in people with existing cardiovascular disease (the earlier revision was in 1995). These new guidelines promote the use of betablockers and ACE inhibitors in heart attack survivors, more aggressive control of risk factors such as smoking and the benefits of lowering cholesterol. The guidelines are becoming more important because of the increasing incidence of heart disease and rapid increase in diabetes. It is estimated that 2/3rds of deaths in diabetes patients is from cardiovascular disease, and the growth of type 2 diabetes is staggering in proportion.

From the journal of the American College of Cardiology, Nov 2001

Diabetes in India - on a silent rampage?

"By 2005, India will have the largest number of diabetics (10-35m/l) and every 5th diabetic in the world will be an Indian. Incidences in South India have increased 40% over a 6 year span, from 8.2% in 1988-90 to 11.6% in 1994-95. The onset is at a much younger age and most cases come with complications at the time of diagnosis. Almost 50% have tissue damage- eye problems (21%), kidney problems (6%), nerve problems (28%), hypertension (35%), heart disease (12%), the number of patients at the diabetes clinic a the Gothe Hospital in Chennai have increased from 6190 in 1993 to 19,991 in 1999…"

Dr Mohan, on setting up of a genetic lab at the Madras Diabetes research foundation, Chennai

Cardivas, the medication for congestive heart failure and hypertension continued to race up the number charts with remarkable support from reported clinical trials. Betablockers are prescribed, at best, in 5-15% cases with heart failure. But the results of these trials were such that physicians would be compelled to use betablockers. One such trial was COPERNICUS, which studied what was probably the sickest collection of patients ever studied in heart disease - patients whose hearts were pumping less than 25%. Even in this statistically skewed patient group, there was a remarkable reduction in the risk of dying, regardless of the age, the etiology of the heart failure or the extent of impairment. This trial was stopped because the ethical committee monitoring the trial felt that it was unethical to continue the treatment of patients with a placebo, and all patients were then offered Cardivas. A second trial CAPRICORN reinforced these findings-people who have suffered a heart attack (even a class 4 heart failure) can prevent a second attack and reduce their risk of dying if they are taking the betablocker Cardivas.

Aztor, the cholesterol lowering medication launched last year witnessed substantial price related pressure as lower priced products were introduced by competitors prompted by a steady fall in bulk active prices. On the plus side, there is increasing evidence supporting quicker use of the medication in Aztor after angina. Currently this medication is prescribed for heart patients after they leave the hospital - but evidence is increasing for these to be prescribed much earlier, and the maximum benefit is when the drugs are prescribed within a 24-96 hour window after an angina attack.

The most aggressive addition to Aztec’s product portfolio was in the surging area of diabetes. The Aztec team designed a special diabetes campaign to make their presence felt in this extremely competitive segment. Diabetes continues to be terribly under-treated, and drugs that try to treat diabetes complications like nerve damage, renal failure, retinopathy- continue to reach market.

Aztec’s introductions spanned the oral antidiabetics Rezult (rosiglitazone), Raplin (repaglinide), G lytoride (gliclazide).

The most important amongst these perhaps is Rezult, an activator of PPAR gamma receptors (present in the liver, skeletal muscles, fatty tissue) that decreases plasma levels of glucose with the amount of insulin that is available. Since it spares beta cells in the pancreas from exhaustion, it delays the need for external insulin. New data indicates that the medication in Rezult also decreases certain cardiovascular risk markers, suggesting that there could be a potential cardiovascular benefit in type 2 patients. These cardiovascular markers have a role in atherosclerosis.

Do Indians have a different sort of D diabetes?

"Diabetes in Indians has several distinctive features compared to diabetes in Europeans- the family history appears to be stronger, patients are less obese- this suggests that genetic factors may play a very important role."

Dr Mohan, on setting up of a genetic lab at the Madras Diabetes research foundation, Chennai

AZTEC

Two primary factors that impacted Aztec’s performance for the year increased competitive interest and a slew of new product launches. Aztec witnessed the largest number of new product launches concentrated in any single area, in the area of diabetology.

Internationally, the cardiovascular market is being driven by increasing candidate patient base for certain classes of drugs (particularly lipid lowering agents and antihypertensives) and expanding indications for existing drugs.

Monotrate, an antianginal and the largest selling product for the company was supplemented with the launch of Monosprin (a combination of the drug in Monotrate with the clot busting agent aspirin). The launch of Monosprin was based on actual co-prescription patterns seen with the single ingredient antianginal.

While there is no significant change in the list of leading products for the division, a number of studies were reported during the course of the year that point to increasing acceptance for Cardivas (carvedilol) and Repace (losartan).

Both Monotrate and Glucored were strongly promoted during the course of the year using an emotionally appealing campaign, the MG Golden Movement campaign.

Hypertension is associated with a continuum of renal damage, and patients with Type 2 diabetes are particularly vulnerable to renal disease. Results from a study called RENAAL* showed that the medication in Repace reduced the risk of end stage renal disease equal to an average delay of 2 years in the need for transplantation or dialysis.

Doctors hypothesize that losartan not only controls blood pressure but also controls angiotensin 2 which adversely affects the kidney independent of the blood pressure.

(*=Reduction of end points in NIDDM with angiotensin 2 antagonist losartan study)
Update on Caraco

We continue to be extremely enthusiastic about the US generics market, although we recognise that competing in this market requires a more complex and intense set of skills. According to a report, drugs with branded sales of over $40 billion would have come off patent in the period 2000-2005. More heartening - generics accounted for a full 50% of US sales in 2001, up from 18% a decade ago. (JFTI Lex column, Dec 2, 2001) IMS values the current market for generics at $10.26 million, with 6 of the top 20 prescriptions drugs coming off patent in a 5 year period. (Chemical Market Reporter, May 15, 2000)

When we wrote to you last year, we had shared our blueprint to engineer a turnaround at Caraco, a US-based generic formulations manufacturer. Sun Pharma holds a 48.54% stake in the company. We update you on the events in the interim.*

(This report relates to the period up to March 01, and subsequent period events are linked separately where relevant)

Caraco posted sales of $2.38 million and loss of $7.62 million (includes a $3.30 million loss that was incurred for R&D work related to product filings) for the year ended Dec 2000, primarily due to an unforeseen delay in receiving new product approvals, focus of all management time and resources to secure FDA compliance and a cutback on contract manufacturing as the company tried to focus on more profitable business.

(*) Caraco subsequently received approvals for 3 full ANDAs and the 03 numbers for Sep-Dec 2001 would be the first full quarter that sales from these new approvals would be booked. 2 more products were cleared after September. Currently Caraco has 4 ANDAs awaiting approval, and a number of interesting new products in the 21 product strong development pipeline.

Several developments in the US generic market reiterate our long-term faith in an upside opportunity. For one, Indian companies have begun to demonstrate concrete revenue streams from the US generic market. Increasing pressures on cost containment are also making the market for generics more attractive. In the recent past, several decisive trends have been pro-generic. Some of these are - increasing public pressure for less expensive generics fuelled by a strong senior citizen and consumer lobby, consumer awareness and serious concern about the tactics used by brand name companies to extend patent life, and regulatory, federal as well as court action that is viewed as pro-consumer.

The events that marked the year at Caraco have been a reassuring signal for better times ahead.

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Diabetes and depression:

Diabetics seem to be twice as likely to suffer from depression as those without the disease, say doctors at the University of Washington after analysis of 25 years of data, and this may be a typical chicken and egg situation.

Diabetes Care, June 2001

Diabetes gets worse with depression:

Findings presented at the American Diabetes association indicates that depression impairs glycemic control in diabetics over time. Selfcare does not affect this link - depression linked physiological changes could be to blame.

Hypertension and depression:

People who experience depression/anxiety are at increased risk of developing hypertension, says the result of a 2 decade study with the CDC. The increase in risk is comparable to a 10 point change in baseline diastolic pressure or a 10 point change in body mass index. Low depression and anxiety leads to the development of hypertension is not entirely known, but may be linked to the nervous system response to stress.

The national nutrition examination follow up study, Psychosomatic Medicine, March 2000

Heart disease and depression:

According to studies at the Duke University research center, which were presented at the annual meeting in March 2001 of the American Collage of Cardiologists, the risk of death is twice as high in a group of congestive heart failure patients who were depressed, compared to patients who were not depressed - physicians had earlier assumed that heart patients were depressed because they were unhappy about being sick, but it now seems that depression in these heart patients independently predicts a poor outcome, and the occurrence of cardiovascular complications also increased in the depressed group. Apparently, heart rate variability in depressed patients is decreased and the depressed seem to have sicker patients that are likely to clot together, setting up conditions for a heart attack...

... and the simply just depressed:

patients studied over a 4 yr period in Amsterdam showed that depression increases the risk of death in older patients whether or not they have cardiac disease.

- Archives of General Psychiatry, 2001, 58
In schizophrenia, therapy slowly helps to resculpt worldview. In epilepsy, medication “resets” the firing of neurons restoring a state of synchronicity.

In Karnataka, about 3% of the population suffer from some kind of neurological disorder, of which approx. one third is epilepsy. In India there are an estimated 8 mill epileptics, and this is the most common neurological disorder after headaches, the incidences for epilepsy are 5.7/1000 in the urban, 11.9/1000 in the rural and an overall 9/1000 in the total population... other conditions like PD, stroke, mental retardation, tremors are much lower in the order of conditions...”

-Report on the Indian Pediatric Congress in Bangalore, Dec 12, 2000, pharmadiez.com
The credit for generating one of the finest ROCE in the industry and delivering growth year after year goes to Team Sun Pharma. Team Sun Pharma now numbers over 2600 employees. We would venture to say that this team enjoys some of the finest minds in the sector - the fact that this team is largely home grown, nurtured with skillsets that have grown with the company, only ensures that all of us are aligned to the same set of ideals. This spirit of enterprise and achievement is the finest asset at Sun Pharma. Your directors wish to thank Team Sun Pharma for its relentless efforts.

Human Resources

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available in the Company’s registered office. As per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all Company shareholders excluding the statement of particulars of employees u/s 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the registered office of the Company.

Additional information

The additional information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998, is given in Annexure and forms part of this report.

A consistent value system

Our performance this year should be viewed against our value system and all that it represents: A respect for resources. Insistence on integrity. A will to deliver growth that is sustainable. A respect for people. A mindset that is achievement-driven. This is the philosophy that all of us work by.

Therapy review

Psychiatry and neurology accounted for over 33% of sales. Cardiology and diabetology accounted for 25.75%. 6 brands continued to feature among the top 300 pharma brands in the domestic market. Gynaec and orthopedics began to deliver on their high growth promise as new product successes were witnessed in these areas. Among recently launched brands, Oleanz and Celact were rated among the best launches in the pharma industry for 2000.

The CMARC audits continue to signal strong customer support in key therapy areas and highlighted action areas for correction well before prescription trends became evident. In 2000-01 a number of interesting bulk actives were scaled up, taking the total for active promotion to over 80.

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<th>Therapy</th>
<th>March-June</th>
<th>July-Oct</th>
<th>Nov 00-Feb 01</th>
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<tr>
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</tbody>
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Summary

Total income was up 29%, largely due to continued domestic market growth.

Domestic market formulation growth of 22% factors in a much larger base and increasing competitive interest in our key therapy areas. The correction plan for dosage form exports which was put in place in 2000, clearly requires more time to pan out - the direction is clear, and the correction process has begun: pruning product lists in some markets and a clear definition of the number of high growth therapy areas that we intend to be identified with.

The export of specialty bulk actives crossed Rs. 84cr. The approval by the USFDA of the Ahmednagar bulk active plant has helped in selling to large customers across the regulated markets of North America and Europe, and a number of bulk actives that have been filed for, await approval. (note: Panoli was submitted for USFDA approval in 2001-02).

As per data from the ORG Retail Chemist Audit for March 2001, across segments we registered a growth of over 24%, a rate that is clearly 3 times that for the industry (note: and in 2001 despite a slowdown in industry growth therapy areas that we intend to be identified with.

Finance

All the banks in consortium continue to offer their highest rating to your Company enabling it to source funds from banks at the lowest rate of interest. CRISIL continued to reaffirm their highest rating of ‘P+1’, for your Company’s Commercial Paper Program throughout the year.

During the year under review, your Company redeemed 1/3rd of the outstanding 49,07,500 Non Convertible Redeemable Preference Shares of Rs. 100 each as per the terms of the issue. (These preference shares were redeemed completely by December 2001.)

The Company does not offer any Fixed Deposit schemes.

Directors

Shri Hasmukh S. Shah was appointed as the Company’s additional director by the Board of Directors with effect from 22nd March, 2001 and was appointed by the members of your Company as the director liable to retire by rotation a the Annual General Meeting held on 28th November, 2001 (which has now been adjourned to 19th March, 2002). The resignation of Shri S. Mohanchand Dadha as the Executive Director of the Company was accepted w.e.f. 21st March, 2001 by the Board at its Board Meeting held on 22nd March, 2001. Shri S. Mohanchand Dadha continued to be a Director on the Board, liable to retire by rotation.

Shri S. Mohanchand Dadha and Shri Narendra N. Borkar retired by rotation and were re-appointed as the directors liable to retire by rotation on 28th November, 2001 when your company’s Ninth Annual General Meeting was convened.

Directors’ Responsibility Statement

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

- That in the preparation of the annual accounts for the financial year ended 31st March, 2001 the applicable accounting standards have been followed along with proper explanation relating to material departures,
- That the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts for the financial year ended 31st March, 2001 on a ‘going concern’ basis.