# Managing Director's Letter

## Dear Shareholders,

The global pharmaceutical industry offers significant opportunities to service the healthcare needs of a growing and ageing global population. The industry has witnessed major investments in developing innovative medicines like monoclonal anti-bodies, immunotherapy drugs and gene therapies. Many of these medicines have seen significant success as they are serving the unmet medical needs of patients, resulting in improved medical outcomes and thus changing the lives of patients. However, pricing in key markets like the US has come under severe pressure in the last two years. The industry will have to adapt to this changed scenario, although it also offers significant learning opportunities.

These changing dynamics are also likely to have an impact on competition since return ratios on investments in the US generics business are coming down and not every generics company will be able to remain economically viable at the current rate of price erosion. As a result, companies will have to optimise their future R&D investments.

The US generics market has been an important driver of growth and profitability for Indian pharmaceutical companies between 2005-15. However, now with the changed dynamics, the importance of other markets has increased. It has also become imperative for companies to identify new engines of growth and invest more in innovation. It is in this context, that Sun Pharma has been investing in building its global specialty business since the last few years. Through this initiative we are trying to gradually move up in the pharmaceutical value chain.

The other key focus area for us will be cost control and product rationalisation, with these efforts spread across R&D projects, manufacturing footprint and other areas. These steps will ensure that we continue to earn reasonable returns on our investments.

## Highlights of FY18

As guided at the start of the fiscal, FY18 was a tough year. While we witnessed a decline in our financial performance for the year, the challenges also offer us an opportunity to improve our processes and hence emerge as a much stronger company. Our FY18 revenues de-grew by 14% to ₹261 Billion mainly due to decline in our US sales. We have recorded steady growth in all other markets except the US.

## Operational Performance

Revenues in the US declined 34% to US$ 1.36 Billion due to higher base of FY17 wherein we had the benefit of 180-day exclusivity on generic Imatinib. Our subsidiary Taro recorded 25% decline in overall revenues for the year. This decline was mainly driven by more intense competition among manufacturers, new entrants to the market, buying consortium pressures, and a higher ANDA approval rate from the USFDA.

We recorded a 4% growth in our India formulations business. Overall growth for the domestic market was impacted by the temporary disruption in the trade channel due to the implementation of the Goods & Services Tax (GST) during the year. Adjusted for this impact, our India revenues have grown by about 9%.

We grew by 11% in emerging markets for the year. This growth was broad-based across various markets. Our sales in the Rest of World (RoW) markets grew by 20% for the year.

## R&D

R&D is the backbone of our business and a key determinant of our future growth and profitability. Our efforts to move up the pharmaceutical value chain mandate that we keep investing in R&D. Our R&D investments for the year were ₹22 Billion, targeted mainly at developing complex generics and specialty products. We continue to be disciplined in identifying future R&D projects for the generics market while simultaneously investing in developing a global specialty portfolio. We are also investing in enhancing our product pipeline for emerging markets and other non-US developed markets.

## Nurturing specialty growth

Our journey of building a global specialty business commenced a few years ago, and over the years, we have nurtured this evolving business through increased focus and investments. We have allocated significant resources in building the specialty business.

Our specialty initiatives are directed at achieving two main objectives – to build an additional engine of future growth and secondly to move up the pharmaceutical value chain through development and commercialisation of branded patented products. While we intend to target the global market with our specialty products, developed markets are likely to be key contributors to this strategy.

Our specialty portfolio targets Dermatology, Ophthalmic, Oncology and CNS segments. We are developing our specialty products pipeline with a focus on improving patient outcomes either by addressing unmet medical needs or by enhancing patient convenience through differentiated dosage forms.

Over the past two years, we have also focused on establishing the requisite front-end capabilities for our specialty business. This involves setting up a relevant sales force (for promoting these products to doctors), establishing the required regulatory and market access teams, along with support staff.

## Commercialisation of key specialty products

FY18 was a busy year for our specialty business and we crossed many important milestones. We filed two of our important products – Ilumya (Tildrakizumab) and OTX-101 with the USFDA and also received final

approval for Ilumya in the US. We also focused on building the relevant front-end presence in the US for marketing and promoting our specialty products. Some of the key highlights for the year were:

- The USFDA approved our Biologics Licence Application (BLA) for Ilumya in March 2018. Ilumya is an IL-23p19 inhibitor approved for the treatment of moderate-to-severe plaque psoriasis in the US. Launch preparations for Ilumya are ongoing for a potential commercialisation in the US in FY19. Ilumya was also filed with the European Medicines Agency (EMA) in March 2017. EMA's approval for Ilumya is awaited.
- Our New Drug Application (NDA) for OTX-101 was accepted by USFDA in December 2017. This is an important product for Sun Pharma's specialty ophthalmology portfolio. We are awaiting final approval for this product from the USFDA.
- Post the close of the year, we announced USFDA approval for Yonsa® (abiraterone acetate), a novel formulation in combination with methylprednisolone, for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC). Sun Pharma had acquired Yonsa® from Churchill Pharmaceuticals LLC. Churchill is eligible to receive upfront and sales-linked milestone payments, and royalties on sales from Sun Pharma. Yonsa® in combination with methylprednisolone was filed as a New Drug Application (NDA) under the 505(b)(2) regulatory pathway and will be promoted as a branded specialty product in the US. Sun Pharma has already commercialised Yonsa® in the US market.
- We also received approval from the USFDA for a new label for Odomzo® (sonidegib), an oral hedgehog inhibitor to treat patients with locally advanced basal cell carcinoma (laBCC) that has recurred following surgery or radiation therapy, or those who are not candidates for surgery or radiation therapy. The new label incorporates long-term data from the 30-month analysis of BOLT trial, in which Odomzo® continued to show sustained durable tumour response of 26 months with no new safety concerns.
- We have recently initiated investments in the development of two new indications for Ilumya, viz., psoriatic arthritis and ankylosing spondylitis. Although the clinical trials for these new indications will require large front-ended investments, a successful outcome of the trials will significantly expand the addressable market for Ilumya globally.
- The clearance of the Halol facility by the USFDA paves the way for potential approvals for Elepsia XR (Levetiracetam Extended Release tablets) and Xelpros (Latanoprost BAK-free eye drops). These specialty products were in-licenced from Sun Pharma Advanced Research Company Ltd. (SPARC).

## Ranbaxy synergies

FY18 was the most important year in terms of accrual of the synergy benefits from the Ranbaxy acquisition. The targeted synergy benefits for FY18 was US$ 300 Million and we are happy to have achieved this important milestone. As indicated before, we have utilised these synergy benefits to fund our evolving global specialty business.

## Global cGMP compliance

Worldwide, pharmaceutical regulatory agencies are focusing on improving the quality of products approved by them. This has mandated adherence to very stringent cGMP standards by pharmaceutical manufacturers with a need to focus on 24x7 compliance status. Ability to successfully adhere to these cGMP standards has become a key determinant of future for the pharmaceutical industry.

During the year, Sun Pharma made significant progress towards 24x7 cGMP compliance. Many of our facilities underwent successful audits by multiple regulatory agencies, including the USFDA. At the same time, remediation work continued at some of the facilities, which had been impacted by cGMP deviations.

Our Halol facility, which was impacted by cGMP deviations in FY15, underwent a re-inspection by the USFDA in February 2018. On completion of the re-inspection, the USFDA issued three observations for the facility. Subsequently in June 2018, the USFDA issued the establishment inspection report (EIR) for the facility, thus clearing the facility. With this clearance, new approvals from this facility for the US market are likely to start coming through gradually.

## Restructuring and rationalisation

Given the tough pricing conditions in the US generics market, we continue to make efforts towards optimising our costs. It mandates an unwavering focus on cost control across the organisation. We are trying to achieve better results with lower resources as we try to make the organisation more efficient.

Our efforts in this direction will cover multiple operational aspects. The focus will be on optimising our manufacturing footprint as well as generics R&D investments, to ensure a reasonable return on investment as well as overall cost management.

## Overall outlook

We are gradually ramping up our global specialty business. We plan to increase its contribution to our consolidated revenues in the long term. This will entail significant front-ended investments, with commensurate revenue streams accruing only over a period of time.

Some of our key specialty products are likely to be commercialised in the US in FY19 and hence we expect to incur significant pre-launch and branding costs along with increasing sales force costs.

The short-term outlook for the US generics market continues to be challenging given the pricing pressures. We expect normalisation of the India business in FY19 post the disruption in FY18 due to GST implementation. Favourable demographics will ensure reasonable volume growth in India. However, government-mandated price reductions/policy changes continue to be potential risks for this business. We are also expecting reasonable growth in our emerging markets business, however, as always, currency fluctuations continue to be a risk.

Given these factors, we expect a low double-digit topline growth in our consolidated revenues for FY19 over FY18. Our consolidated R&D investments for FY19 will be about 8-9% of revenues.

Our talented team of employees will be the key driver of all the above initiatives. We are also grateful to our Board of Directors for their guidance and support.

We are thankful for your support as a shareholder. You have continuously supported our endeavors over the past many years and we hope that you will continue to repose your confidence in us.

Warm regards,

**Dilip Shanghvi**
Managing Director
Sun Pharmaceutical Industries Ltd.

# Management Discussion and Analysis

*The global spending on medicines is expected to reach over US$ 1.4 Trillion by 2022, growing at an average CAGR of 3-6% from US$ 1.13 Trillion in 2017.*

## Global pharmaceutical industry[1]

The global spending on medicines is expected to reach over US$ 1.4 Trillion by 2022, growing at an average compound annual growth rate (CAGR) of 3-6% from US$ 1.13 Trillion in 2017. Demographic changes in population and advances in medical treatments are expected to translate into a rise in spending. Innovation in medicines, along with economic progress, will result in a rise in volume for the pharmaceutical industry. Market growth is likely to occur concurrently with greater pharmaceutical cost controls, improving access and affordability.

In developed markets, ageing population and development of new specialty medicines will continue to drive pharmaceutical growth. In developing nations, growing population and rising disposable incomes among the middle-class, increasing aspirations for better healthcare and gradually increasing penetration of insurance coverage will drive the growth momentum.

**Chart 1** Global medicine spending and growth 2007-2022[2]

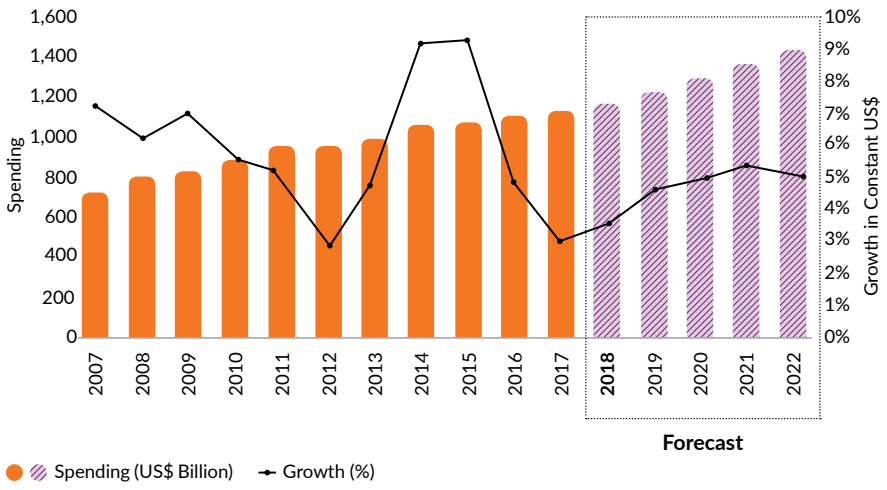



**Table 1** Global pharmaceutical spending and growth[2] (US$ Billion)

| Regions | 2017 | 2013-17 CAGR | 2022 | 2018-22 CAGR |
|---|---|---|---|---|
| Developed Markets | 753.2 | 5.8% | 915-945 | 2-5% |
| Pharmerging Markets | 269.6 | 9.7% | 345-375 | 6-9% |
| Other Markets | 112.3 | 2.0% | 125-155 | 2-5% |
| **Global Pharmaceutical Market** | **1,135.1** | **6.2%** | **1,415-1,445** | **3-6%** |

**Chart 2** Global spending by region[2]

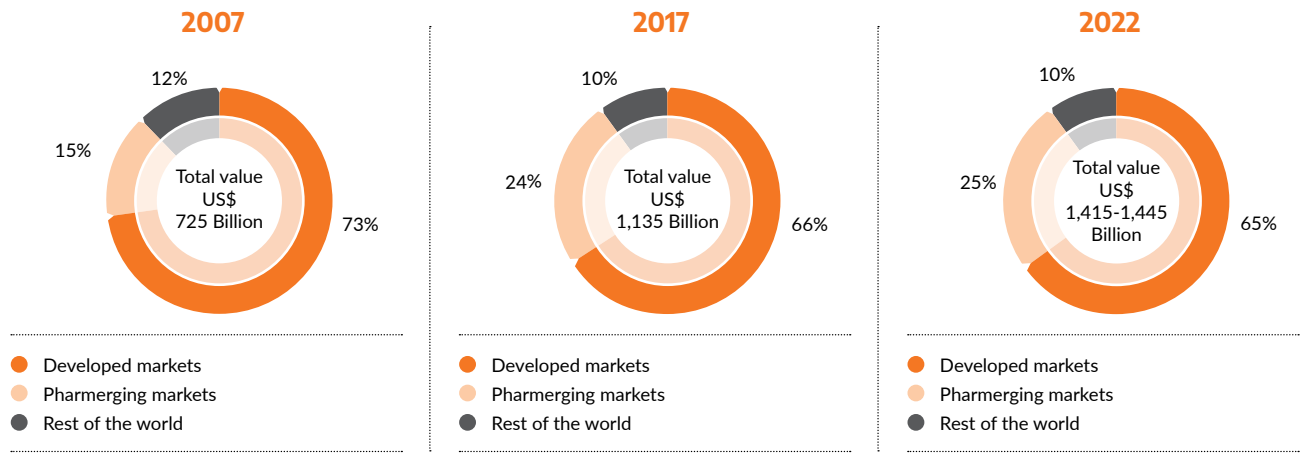



**Table 2** Leading therapy-wise spending and growth in selected developed and pharmerging markets[2] (US$ Billion)

| Therapy areas | 2017 | 2012-17 CAGR | 2022 | 2017-22 CAGR |
|---|---|---|---|---|
| Oncology | 81.1 | 11.8% | 115-130 | 7-10% |
| Diabetes | 72.2 | 16.9% | 105-115 | 8-11% |
| Pain | 76.1 | 5.7% | 80-95 | 2-5% |
| Autoimmune | 47.5 | 16.8% | 65-75 | 7-10% |
| Respiratory | 38.5 | 4.8% | 40-50 | 2-5% |
| Antibiotics & vaccines | 38.3 | 3.2% | 40-48 | 1-4% |
| Cardiovascular | 40.6 | -1.8% | 36-44 | (-2)-1% |
| HIV | 26.7 | 11.5% | 32-40 | 5-8% |
| Mental health | 36.1 | -2.6% | 32-38 | (-2)-1% |
| Antivirals | 23.8 | 25% | 16-20 | (-7)-(-4)% |
| All other therapies | 368.3 | 5.1% | 445-460 | 3-6% |

Selected Developed and Pharmerging Markets: Includes 8 Developed and 6 Pharmerging countries of the US, France, Germany, Italy, Spain, UK, Japan, Canada, China, Brazil Russia, India, Turkey and Mexico

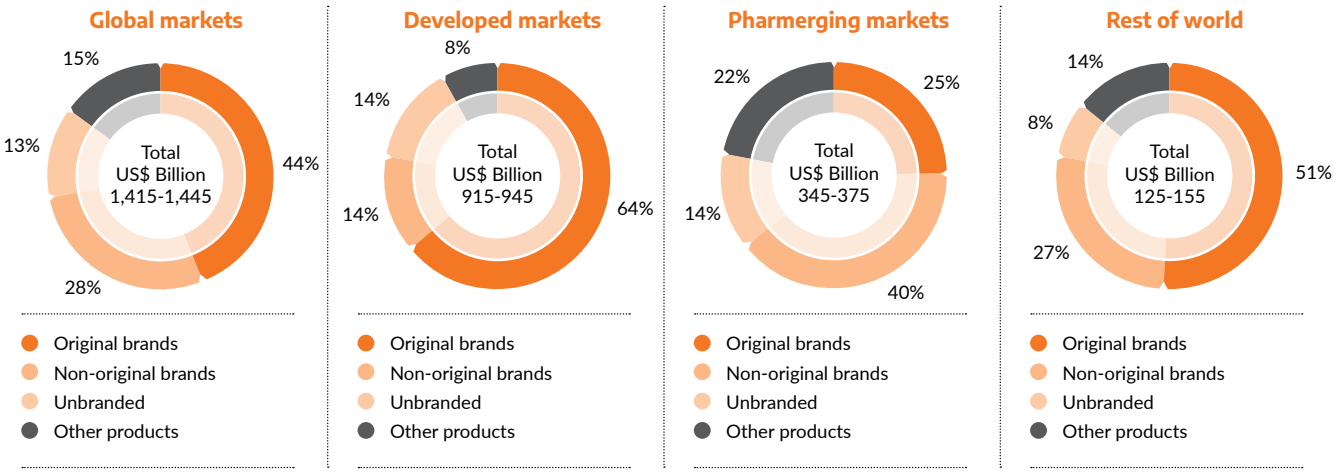
## Emerging trends for 2018-22[1]

Pharmaceutical spending in developed markets is likely to grow at 2-5% CAGR between 2018-22 compared to 5.8% in the 2013-17 period. While launch of innovative products is likely to drive growth, is expected to be balanced by patent expiries of existing products.

- Specialty medicines will drive medicine spending in developed markets, partly offsetting the decline in spending on traditional medicines.
- The requirement to replenish product portfolios impacted by patent expiries will continue to drive acquisitions and in-licensing for the specialty segment.
- For pharmerging markets, policies designed to achieve universal healthcare will be an intricate formula that induces investment, while protecting affordability. However, sluggish economic conditions in these markets and relatively higher out-of-pocket costs for patients will offset some of the gains in access. Medicine spending in these markets is likely to grow at 6-9% CAGR for 2018-22 compared to nearly 10% for the 2013-17 period.
- Innovation in new drug development, immunotherapy, next generation biotherapeutics, including cell-based gene therapies and digital health tools will gain importance in the future of the global healthcare industry.
- Generic medicines will continue to be an important part of the efforts to reduce overall global healthcare costs.

*Innovation in new drug development, immunotherapy, next generation biotherapeutics, including cell-based gene therapies and digital health tools will gain importance in the future of the global healthcare industry.*

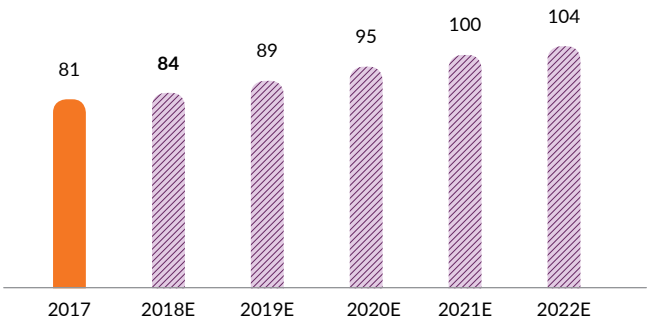
**Chart 3** Global medicine spending by product type in 2022[2]




## Global generics market[3]

The global generics market is estimated to grow at 5% CAGR for the 2017-22 period to reach US$ 104 Billion by 2022. Governments worldwide are facing pressures of rising healthcare costs, thus emphasising on the importance of generics and their role in making pharmaceutical products affordable to those in need. Patent expiry for branded drugs in developed markets has a bearing on the potential of generics in those markets. In the emerging world, the branded generics markets will be driven primarily by rising per capita incomes, increasing healthcare awareness and enhanced incidence of chronic ailments.

**Chart 4** Global generics market growth[3] (US$ Billion)




## Growth enablers of global pharmaceutical industry[4]

### Ageing population

Global population is likely to cross 9.3 Billion by 2050 and the proportion of individuals aged 60 and above will account for 21% of it. The growing average life expectancy has been accompanied by a rise in different diseases, leading to the deployment of more resources for research and innovation to improve the quality of life for an ageing population.

### Rising pollution

Rising air and water pollution is resulting in increased incidence of various diseases, leading to higher pharmaceutical consumption.

### Changing lifestyles

Individual lifestyle choices are increasingly affected by stress, resulting in higher risk for obesity, hypertension, depression, diabetes and cardiovascular problems. Moreover, with rise in disposable incomes for global middle-class families, the demand for better healthcare is gradually increasing.

### Cost controls

Governments, particularly in emerging economies, are shifting towards affordable, universal healthcare with reduced out-of-pocket spending for patients. Although they deepen market access, the cost-containment policies of governments will neutralise some of these gains for the pharmaceutical industry.

### Technology

Empowered by technological advances such as mobile apps, wearable healthcare devices and greater awareness, patients are increasingly taking better and more well-informed healthcare choices.

### Outlook

Changing lifestyles will increasingly make chronic diseases a global health issue. Developed markets growth will be driven by ageing population and adoption of emerging medical technologies.

In developing markets, besides growing populations, the pharmaceutical industry will benefit from higher incomes of consumers. The entry of wearables in the global market will facilitate access to accurate, real-world data. Subsequently, the quality of diagnostic services will improve thus leading to increased pharmaceutical consumption.

## Specialty medicines[1]

In the previous decade, new medications have witnessed a gradual and continuous shift towards specialty medicines (defined as those that treat chronic, complex or rare conditions). The share of specialty medicines in global spend in 2017 stood at 32%, up from 19% in 2007.

In the US and EU5 markets, the contribution of specialty medicines to overall pharmaceutical spending has almost doubled over the preceding 10 years. This trend is likely to continue. While specialty medicines are more expensive than traditional therapies, the availability of insurance funding is helping in making them affordable to the population of these countries.

The share of specialty medicines in pharmerging markets has not grown much over the preceding 10 years. This is primarily due to the higher proportion of out-of-pocket funding by patients in these countries, which limits affordability of higher priced specialty medicines.

## Developed markets[1]

Pharmaceutical spending in developed markets is estimated to grow at 2-5% CAGR from US$ 753.2 Billion in 2017 to US$ 915-945 Billion in 2022. The US will continue to be the key contributor of the growth in developed markets. In other such markets, where access and costs are mostly managed by single payers growth will be sluggish.

**Table 3** Pharmaceutical spending and growth in developed markets[2] (US$ Billion)

| Region/Country | 2017 | 2013-17 CAGR | 2022 | 2018-22 CAGR |
|---|---|---|---|---|
| US | 466.6 | 7.3% | 585-615 | 4-7% |
| EU5 | 154.4 | 4.4% | 170-200 | 1-4% |
| Germany | 45.1 | 4.9% | 51-61 | 2-5% |
| France | 33.1 | 1.3% | 36-40 | 0-3% |
| Italy | 29.0 | 5.5% | 34-38 | 2-5% |
| UK | 25.7 | 6.9% | 29-33 | 2-5% |
| Spain | 21.5 | 4.6% | 24-28 | 1-4% |
| Japan | 84.8 | 2.0% | 85-89 | 0-4% |
| Canada | 20.7 | 3.9% | 23-27 | 1-4% |
| South Korea | 13.7 | 4.5% | 15-19 | 3-6% |
| Australia | 13.1 | 4.7% | 12-16 | 1-4% |
| **Total** | **753.2** | **5.8%** | **915-945** | **2-5%** |

### US

The US pharmaceutical market is estimated to grow by 4-7% CAGR from US$ 466.6 Billion in 2017 to US$ 585-615 Billion in 2022. The gains from a free-market pricing will continue to be partly offset by price rebates negotiated by payers. Patent expiry and subsequent loss of brand exclusivity will continue to aggravate the situation, whereas price increases and introduction of new specialty medicines will drive the spending growth.

### Europe (EU5)

The CAGR for the next five years for EU5 markets is estimated at 1-4%, with overall spending in these markets likely to escalate from US$ 154.4 Billion in 2017 to US$ 170-200 Billion in 2022. Spending will be primarily driven by the ageing population of countries and increased incidence of chronic ailments coupled with increasing adoption of specialty medicines.

**Chart 5** US pharmaceutical spending and growth (US$ Billion)

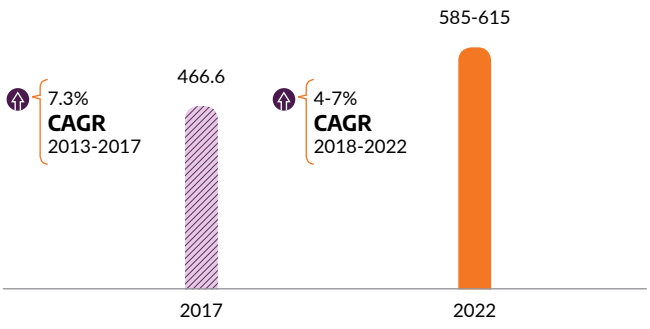
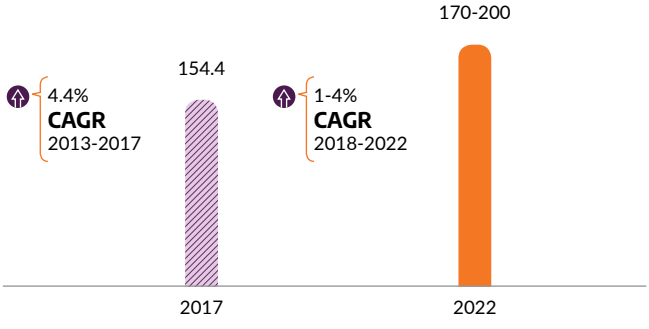



**Chart 6** EU5 pharmaceutical spending and growth (US$ Billion)



## Japan

Spending on pharmaceuticals in Japan is likely to continue to grow at a sluggish pace, from US$ 84.8 Billion in 2017 to US$ 85-89 Billion in 2022. High life expectancy with low birth and migration rates have contributed to a declining Japanese population.

Challenges in the form of complex regulatory framework and periodic price cuts have hampered the sector's growth. However, the volume share of generic drugs in Japan has nearly doubled in recent years, with government policies promoting the use of generics. This trend is expected to continue.

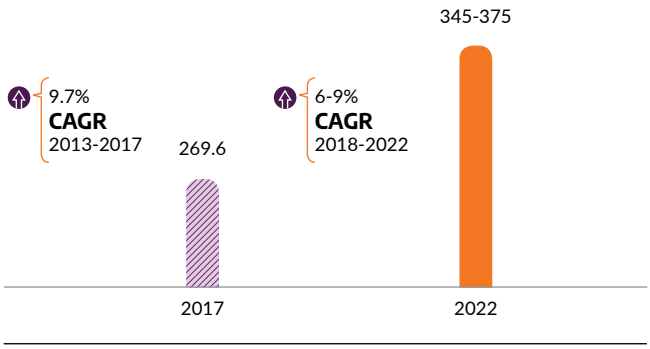
## Pharmerging markets[1]

The pharmaceutical spending in pharmerging markets stood at around US$ 269.6 Billion in 2017. It is estimated to grow at 6-9% CAGR during 2018-22 to reach US$ 345-375 Billion in 2022.

It is likely to be driven by the efforts of individual governments to expand public access to healthcare, higher incidence of chronic ailments and rising per capita incomes, leading to enhanced healthcare awareness.

Branded generic medicines comprise the largest proportion of medicine spending in these economies. Payments, primarily out-of-pocket for consumers, reflect a correlation between economic growth and pharmaceutical spending growth.

**Chart 7** Pharmaceutical spending and growth in pharmerging markets (US$ Billion)




Spending in pharmerging markets, driven mainly by volume increases and the use of generics, is likely to grow by 7-8% in 2018, making it the third consecutive year that the growth will be less than 10%. China, the largest pharmerging market, will grow at a modest 5-8% in the next half decade, reaching US$ 145-175 Billion in 2022.

India and Russia are expected to grow faster, in comparison, averaging at 10% in the same time span, while the other pharmerging markets will average 6-9%. India's spending on medicines will propel its entry into the top 10 countries in 2018, and to the ninth position overall between 2019 and 2022.

**Table 4** Pharmaceutical spending and growth in pharmerging markets (US$ Billion)

| Region/Country | 2017 | 2013-17 CAGR | 2022 | 2018-22 CAGR |
|---|---|---|---|---|
| China | 122.6 | 9.4% | 145-175 | 5-8% |
| Tier 2 markets | 67.3 | 11.2% | 89-93 | 7-10% |
| Brazil | 33.1 | 11.5% | 38-42 | 5-8% |
| India | 19.3 | 11.0% | 26-30 | 9-12% |
| Russia | 14.9 | 10.8% | 20-24 | 7-10% |
| Tier 3 markets | 79.7 | 8.9% | 95-125 | 6-9% |
| **Total** | **269.6** | **9.7%** | **345-375** | **6-9%** |

## Global consumer healthcare industry[5]

The global consumer healthcare (GCH) market grew by 4.1% in 2017 to reach US$ 127 Billion. The US and China continue to be the largest GCH markets and together account for 46% of the global share. For 2017, North America and European markets recorded 2.5-3% growth, Asia-Pacific was up 4.3%, while Latin America (+11.8%) and the Middle East & Africa (+6.7%) grew fastest. Among emerging markets, Brazil, Russia and India account for almost 9% of the global market.

Vitamins, minerals & supplements, cough, cold and allergy segments account for over 50% of market spend. Growing healthcare awareness and internet penetration have empowered people to seek various available treatments. This is leading to self-medication and driving market momentum.

## Active Pharmaceutical Ingredients (API)[6]

Geriatric healthcare solutions, biopharmaceutical sector growth and advancements in API manufacturing will be the key drivers for the API industry. The prevalence of chronic diseases such as cancer, diabetes and cardiovascular ailments contribute to the market growth. Growing demand for quick action, efficient drugs and innovations in drug manufacturing also fuel its growth.

Led by increasing expenditure on medical research, North America will continue to dominate the global API market. Asia-Pacific regions are increasingly favoured for setting up API manufacturing facilities due to the availability of affordable labour and low manufacturing costs.

## Indian pharmaceutical market[7,8]

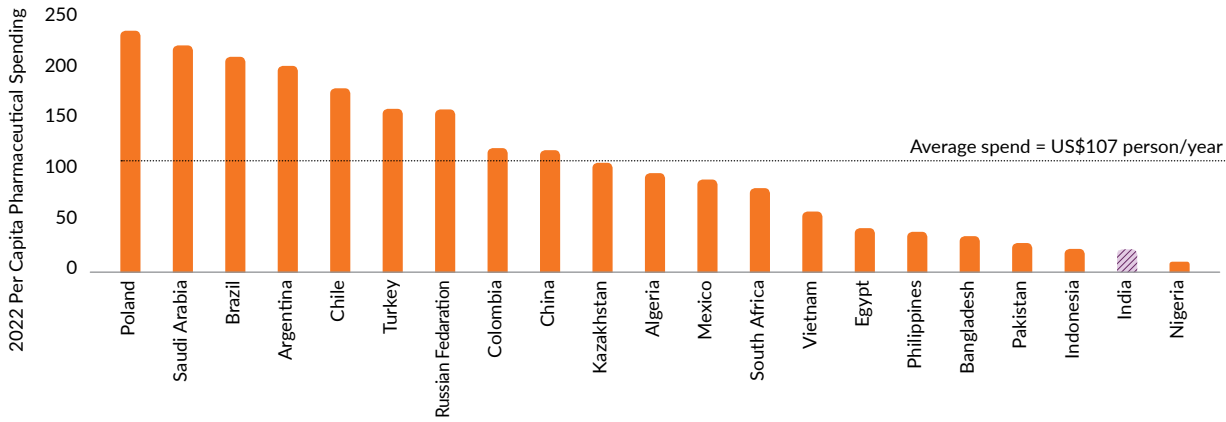
India's pharmaceutical industry is the world's largest supplier of generic drugs, accounting for 20% of global export volume. The domestic market accounts for over 3% of the global pharmaceutical industry in value terms and 10% in volume. It is predicted to grow at a CAGR of 9-12% in the 2018-22 period to reach a size of US$ 26-30 Billion.

Branded generic drugs account for nearly 80% of the Indian pharmaceutical market by sales. The market is highly fragmented and competitive. Cost-efficiency coupled with a skilled workforce continues to make it an attractive destination for investment and research.

Out-of-pocket expenses for patients in India continue to constitute the biggest share of total medical spending for the average household. As a proportion of GDP, the average healthcare expenditure for India is one of the lowest among BRICS nations.

The Government of India has made efforts to make pharmaceutical products more affordable and step up the promotion of generics. Moreover, government-sponsored programmes provide healthcare benefits for the low-income section of the population.

**Chart 8** **India – Estimated per capita pharmaceutical spending versus other emerging markets[1]** (US$ per person/year)




Notes: Spending per capita, per capita growth and overall spending growth in Constant US$.

## Growth drivers of Indian pharmaceutical market

### Sun Pharmaceutical Industries Ltd. (Sun Pharma)

Sun Pharma is the world's fifth largest specialty generics pharmaceutical company. It is also India's largest and most valuable pharmaceutical enterprise by size and market capitalisation. A vertically integrated business, economies of scale and a skilled team enable it to deliver well-timed quality products at affordable prices.

The Company is deepening its global footprint as a highly trusted pharmaceutical company among consumers and healthcare professionals in over 100 countries. It has multiple manufacturing facilities and R&D centres across the world. The Company has 32,000+ global employee base that comprises over 50 nationalities. As an innovation driven enterprise, it has robust R&D capabilities with investments of over 8.6% of annual revenues.

Sun Pharma's Global Consumer Healthcare (GCH) business is ranked among the top 10 across four emerging markets. Its API business footprint is strengthened through 14 world-class API manufacturing facilities around the world.

The Company has operations spanning segments like specialty products, branded generics, complex and pure generics, over-the-counter (OTC) products, anti-retrovirals (ARVs), and active pharmaceutical ingredients (APIs). It also manufactures intermediates for specialty APIs, offering a full range of dosage forms, including tablets, capsules, injectables, ointments, creams and liquids.

In India, Sun Pharma enjoys leadership across 13 classes of doctors with 32 brands featuring among the top 300 pharmaceutical brands. Internationally, the Company has a strong presence in the US, emerging markets, Western Europe, Japan, Canada, Israel, Australia and New Zealand (A&NZ). It has multiple production units approved by various regulatory authorities, including the USFDA.

**Value creation framework**

Growing and sustaining our prominence across markets, therapeutic segments and products.

## Growth pillars

**US$ 4 Bn**
Global revenue as on 31st March, 2018

**> 100**
Markets served

**> 2,000**
Products marketed

**68%**
Contribution to sales from international markets

**42**
Manufacturing facilities across six continents

**> 32,000**
Employees worldwide

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**Global Presence**

| US Formulations | India Branded Generics | Emerging Markets | Western Europe, Canada, Japan, A&NZ and others |
|---|---|---|---|
| • Fifth-largest generics Company in the US with one of the largest ANDAs pipeline (139 ANDAs and 3 NDAs awaiting approval).<br>• Largest Indian pharmaceutical enterprise in the US.<br>• Presence in generics and branded specialty segments with a portfolio of over 400 products. | • No. 1 pharmaceutical Company in India.<br>• No. 1 ranked with 13 classes of doctor categories.<br>• Leading position in high-growth chronic therapies.<br>• Specialises in technically complex products. | • Among one of the largest Indian pharmaceutical companies in Emerging Markets.<br>• Presence in over 100 countries across Africa, Latin America, Asia and Eastern & Central Europe.<br>• Key focus markets – Russia, Brazil, Romania, Mexico, Africa, and complementary and affiliated markets. | • Presence across majority of markets in Western Europe, Canada, Japan and A&NZ.<br>• Product portfolio includes differentiated offerings for hospitals, injectables and generics for retail market. |

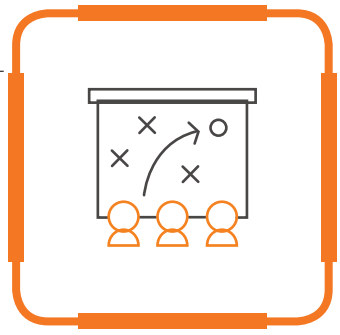
# Growth Strategies

**Create sustainable revenue streams**

- Enhance share of specialty business globally
- Achieve differentiation by focussing on technically complex products
- Focus on key markets to achieve critical mass
- Speed to market
- Ensure sustained compliance with global regulatory standards

**Business development**

- Use acquisitions to bridge critical capability and portfolio gaps
- Focus on access to products, technology and market presence
- Ensure acquisitions yield high return on investment
- Concentrate on payback timelines



**Balance profitability and investments for future**

- Increasing contribution of specialty and complex products
- Direct future investments towards differentiated products

**Cost leadership**

- Vertically integrated operations
- Optimise operational costs

**Building a robust specialty portfolio**

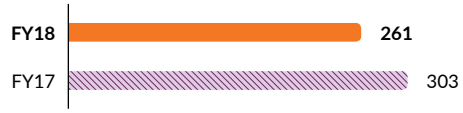
- In-licenced ILUMYA™ (a monoclonal antibody targeting IL-23) from MSD for treating chronic plaque psoriasis in 2014. Biologics Licence Application (BLA) for ILUMYA™ filed with the USFDA and EMA for the European market and subsequently received final approval from USFDA in March 2018. Launch preparations for commercialising the product in the US are ongoing.
- Acquired Ocular Technologies for access to global rights for OTX-101 for treating Dry Eye Disease; announced positive outcomes from confirmatory Phase-3 trials in January 2017; filed NDA with USFDA in December 2017; evaluating other markets for filing OTX-101.
- Acquired branded oncology product – Odomzo – in December 2016; the product is approved in 30 countries, including the US, Europe and Australia; currently marketed in the US and Germany.
- Launched BromSite – first specialty ophthalmology product in the US – in November 2016.
- Currently marketing Levulan Kerastick (a drug-device combination for treating actinic keratosis) and Absorica (for treating acne) in the US dermatology market.
- Two ophthalmic molecules undergoing clinical trials as a part of the InSite Vision pipeline.
- In-licenced Xelpros (ophthalmology) and Elepsia (CNS) products from Sun Pharma Advanced Research Company (SPARC). Both these products are awaiting USFDA approval.

**Table 5** Key acquisitions and joint ventures (JV)

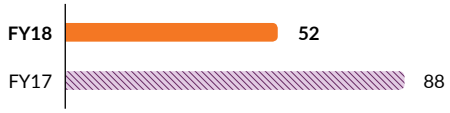
| Year | Deals | Country | Acquisition Rationale |
|---|---|---|---|
| 2016 | Acquired global rights for OTX-101 and Odomzo | Global Markets | Enhances specialty pipeline |
| 2016 | Acquired Biosintez | Russia | Access to local manufacturing capability to enhance presence in the Russian market |
| 2016 | Licensing agreement with Almirall for ILUMYA™ for Psoriasis | Europe | Strengthening the distribution of ILUMYA™ in Europe |
| 2016 | Acquired 14 brands from Novartis | Japan | Entry into Japan |
| 2016 | Distribution agreement with AstraZeneca | India | Distribution services agreement in India for brand 'Oxra' and 'Oxramet'® (brands of dipagliflozin, used for diabetes treatment) |
| 2015 | Acquisition of InSite Vision | US | Strengthens branded ophthalmic portfolio in the US |
| 2015 | Acquisition of GSK's Opiates Business | Global Markets | Vertical integration for controlled substances business |
| 2015 | Distribution agreement with AstraZeneca | India | Distribution services agreement in India for brand 'Axcer'® (brand of ticagrelor, used for the treatment of acute coronary syndrome) |
| 2015 | Sun Pharma – Ranbaxy Merger | Global Markets | Fifth-largest Global Specialty Generics Pharma Company and No.1 Pharma Company in India with strong positioning in emerging markets |
| 2014 | In-licensing agreement with Merck for ILUMYA™ a biologic for psoriasis | Global Markets | Strengthened the specialty product pipeline |
| 2014 | Acquired Pharmalucence | US | Sterile injectable capacity in the US, supported by strong R&D capabilities |
| 2013 | Acquired URL's generics business | US | Addition to the US generics portfolio |
| 2012 | Acquired DUSA Pharma, Inc. | US | Access to branded derma product |
| 2010 | Acquired Taro Pharmaceutical Industries Ltd. | Israel | Enhanced presence in the US generics market, especially the dermatology segment |
| 2008 | Acquired Chattem Chemicals, Inc. | Tennessee, US | Access to controlled substance facility with DEA registration |
| 2005 | Assets of Able Labs Formulation plant in Bryan | New Jersey, US Ohio, US | Access to formulations plant (NJ, US) |
| 1997 | Acquired Caraco | Detroit, US | Entry into the US generics market |

## Key performance indicators

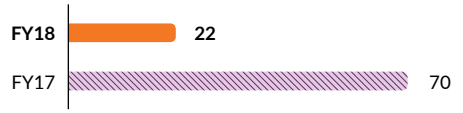
### GROSS SALES
(₹ Billion)



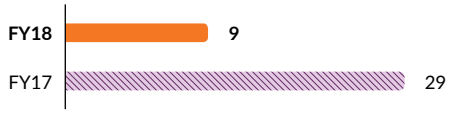

### EBITDA*
(₹ Billion)



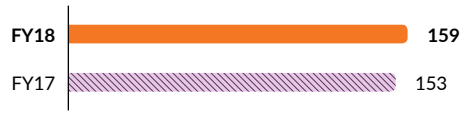

### NET PROFIT AFTER MINORITY INTEREST
(₹ Billion)



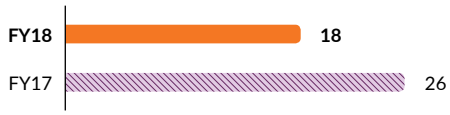

### ADJUSTED EARNING PER SHARE (post exceptional items)
(₹ per share)



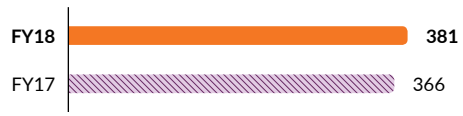

### BOOK VALUE PER SHARE
(₹ per share)



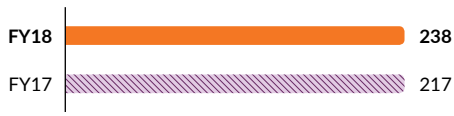

### MARKET CAPITALISATION (as on 31st March)
(US$ Billion)



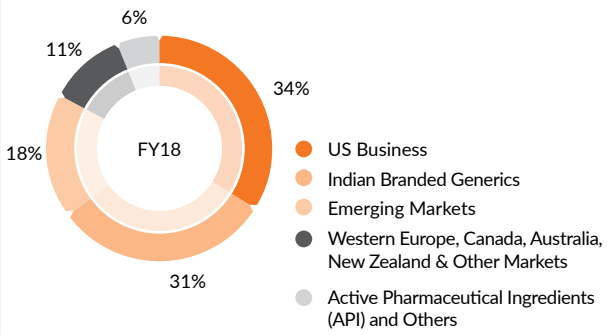

### NET WORTH
(₹ Billion)



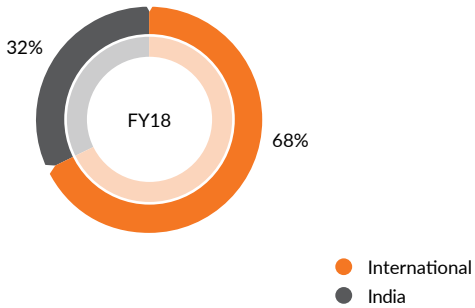

### PROPERTY, PLANT & EQUIPMENT AND OTHER INTANGIBLE ASSETS (at cost/deemed cost)
(₹ Billion)




### BUSINESS-WISE REVENUE SHARE




### BUSINESS MIX




*EBITDA = Gross Sales - (Cost of Material Consumed + Purchase of stock-in-trade + Change in inventories of Finished Goods, Work-in Progress and Stock-in-Trade + Employee Benefits Expense + Other Expenses)

## FY18 operational highlights

- In May 2017, the Company received the U.S. Food and Drug Administration (USFDA) acceptance of the Biologics Licence Application (BLA) for ILUMYA™. The USFDA filing acceptance followed the acceptance of the regulatory filing of ILUMYA™ by the European Medicines Agency (EMA) in March 2017. ILUMYA™ is an IL-23p19 inhibitor approved for the treatment of moderate-to-severe plaque psoriasis in the US. The BLA filing for ILUMYA™ with the USFDA was based on two pivotal Phase III trials (reSURFACE 1 and 2), which included over 1,800 patients across more than 200 clinical trial sites, including some patients who have been treated with ILUMYA™ for up to three-and-a-half years. Data from these trials were presented at the 2017 American Academy of Dermatology (AAD) Annual Meeting and previously presented at the 25th European Academy of Dermatology and Venereology Congress. Subsequently, in March 2018, Sun Pharma announced USFDA approval for ILUMYA™ (tildrakizumab-asmn) to treat adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy.

- In June 2017, the Company received final approval from USFDA for its Abbreviated New Drug Application (ANDA) for generic version of Zetia® (ezetimibe) Tablets 10mg. These generic ezetimibe tablets are therapeutic equivalents of Merck's Zetia® tablets. According to IQVIA, ezetimibe tablets had annual sales of approximately US$ 2.7 Billion in the US for the 12 months ended April 2017.

- In June 2017, Sun Pharma in partnership with The National Institute of Virology (NIV), Pune, an institution of the Indian Council of Medical Research, Department of Health Research, Ministry of Health and Family Welfare, New Delhi, announced that they have signed an agreement for testing phyto-pharmaceutical, biologic and chemical entities developed by Sun Pharma against zika, chikungunya and dengue viruses. Sun Pharma will provide drug molecules to NIV for testing against zika, chikungunya and dengue in model systems. Candidate molecules with encouraging data will then be taken forward for commercial development. Sun Pharma and NIV aim to promote discovery sciences, translational health research and development of medical products, which is in sync with the direction provided by the Government of India's 'Make In India' initiative. Sun Pharma's agreement with NIV follows its MoU with the Indian Council of Medical Research (ICMR) for conducting joint scientific research and innovation for testing of drugs, biosimilars and vaccines for disease control and elimination programmes.

- In July, 2017, Sun Pharma and Samsung BioLogics announced a strategic long-term manufacturing agreement for ILUMYA™. The agreement was entered into by Sun Pharma's wholly-owned subsidiary and Samsung BioLogics. According to the agreement, Sun Pharma has appointed Samsung BioLogics to manufacture future supplies of ILUMYA.

- In September 2017, Sun Pharma announced that one of its wholly-owned subsidiaries has received approval from the USFDA for a new label for Odomzo® (sonidegib), an oral hedgehog inhibitor to treat patients with locally advanced basal cell carcinoma (laBCC) that has recurred following surgery or radiation therapy, or those who are not candidates for surgery or radiation therapy. Odomzo® was approved by the USFDA in July 2015, based on 12-month follow-up results from the pivotal Phase II Basal Cell Carcinoma Outcomes with LDE225 Treatment (BOLT) clinical trial, a multicentre, double-blind study involving 194 patients with laBCC and 36 patients with metastatic basal cell carcinoma (mBCC). The new label incorporates long-term data from the 30-month analysis of BOLT trial, in which Odomzo® continued to show sustained durable tumour response of 26 months with no new safety concerns.

- In October 2017, Sun Pharma announced that one of its wholly-owned subsidiaries has received final approval from the USFDA for its ANDA for generic version of Coreg CR®, (carvedilol phosphate) extended release capsules, 10mg, 20mg, 40mg and 80mg, which are therapeutic equivalents of GSK's Coreg CR® extended release capsules. As per IQVIA, Coreg CR® had annual sales of approximately US$ 208 Million in the US for the 12 months ended August 2017.

- In December 27, 2017, the Company announced that the USFDA has accepted a New Drug Application (NDA), filed by its wholly-owned subsidiary, for OTX-101 (cyclosporine A, ophthalmic solution) 0.09%, a novel nanomicellar formulation of cyclosporine A 0.09% in a clear, preservative-free aqueous solution. OTX-101 is currently under review for approval by the USFDA.

- In January 2018, Sun Pharma announced that its wholly-owned subsidiaries have reached an agreement with Ironwood Pharmaceuticals, Inc. and Allergan plc. to resolve the patent litigation regarding submission of an ANDA for a generic version of Linzess® (Linaclotide capsules) in the US. Pursuant to the terms of the settlement. Sun Pharma's wholly owned subsidiaries will be eligible to market a generic version of Linzess® in the United States beginning 01 February, 2031, (subject to USFDA approval) or earlier under certain circumstances.

- In February 2018, Sun Pharma's Halol facility underwent an inspection by the USFDA. Post the closure of the inspection, the USFDA issued the Form-483 to the facility citing three deviations. Sun Pharma filed its response to the USFDA in March 2018, citing proposed measures to address the deviations. Subsequently in June 2018, the USFDA issued the establishment inspection report (EIR) for Halol, thus clearing the facility.

- In February 2018, Sun Pharma Science Foundation, a non-profit organisation announced the Sun Pharma Science Awards to Indian scientists for their outstanding work and exemplary contribution to medical research. The awards were presented in two categories:

  - The Sun Pharma Research Awards for outstanding scientists.
  - Sun Pharma Science Scholar Awards for young researchers.

  The winners for both these awards are identified in two sub-categories:

  - Medical Sciences
  - Pharmaceutical Sciences

An eminent jury panel comprising well-known scientists from India selected the winners. These awards are presented annually to Indian scientists and young researchers working in India and abroad.

## FY19 outlook and guidance

The US generics industry continues to face pricing pressure driven by increasing competitive intensity and customer consolidation. Despite these adverse dynamics, the Company expects low double-digit growth in consolidated revenues for FY19.

Sun Pharma continues to invest in enhancing its global specialty and complex generics pipeline. Investments will also continue for setting up the requisite front-end capabilities for the specialty business in the US as well as on clinical trials for some of the specialty products. These investments may not have commensurate revenues in FY19 but are likely to drive growth in the longer-term. The consolidated R&D investments for FY19 will be about 8-9% of consolidated revenues. The Company expects a gradually increasing tax rate over the next few years.

# Business segment review

## US business

**34%**
Revenue contribution

**₹87,466 Mn**
Revenues for FY18

**7%**
FY13-18 revenue CAGR

**561**
Cumulative ANDAs filed

**422**
Cumulative ANDAs approved

**39**
Cumulative NDA/BLA approved

*As on 31st March, 2018*

Sun Pharma is the fifth largest specialty generics pharmaceutical company in the US market with presence across generics, specialty, branded and OTC segments. Its primary focus areas include CNS, dermatology, cardiology, oncology and ophthalmics, among others. It has integrated manufacturing facilities with the capability of manufacturing products, both onshore and offshore, across a variety of dosage forms including liquids, creams, gels, sprays, injectables, tablets, capsules and drug-device combinations. The Company's comprehensive portfolio includes 561 ANDAs and 42 NDAs filed and 422 ANDAs and 39 NDAs approved across multiple therapies.

**ANDA pipeline**

Sun Pharma had 139 ANDAs and 3 NDAs pending USFDA approval as of 31 March 2018. This pipeline includes a combination of complex generics, First-to-File (FTF) opportunities and normal generics.

### US business milestones

| | |
|---|---|
| FY18 | • Launched Odomzo in the US<br>• Launched Generic Coreg CR® in the US<br>• Acceptance and approval for ILUMYA™ (tildrakizumab) in the US<br>• Filed NDA for OTX-101 with USFDA |
| FY17 | • Acquired Ocular Technologies - giving access to OTX-101, a product for treating dry eyes<br>• Launched BromSite - Sun Pharma's first specialty ophthalmic product - in the US<br>• Acquired Odomzo - branded oncology product from Novartis |
| FY16 | • Acquired InSite vision to strengthen the specialty ophthalmic portfolio |
| FY15 | • Expanded presence in the US with the addition of Ranbaxy's US business |
| FY14 | • Acquired Pharmalucence to get access to sterile injectables capability |
| FY13 | • Acquired DUSA, marking entry into the specialty dermatology market |
| FY10 | • Acquired URL's generics business<br>• Acquired Taro Pharma and forayed into the generics dermatology market |
| FY98-FY10 | • Enhanced and strengthened the US business |
| FY98 | • Entered into the US market by acquiring Caraco |

### Progress in FY18

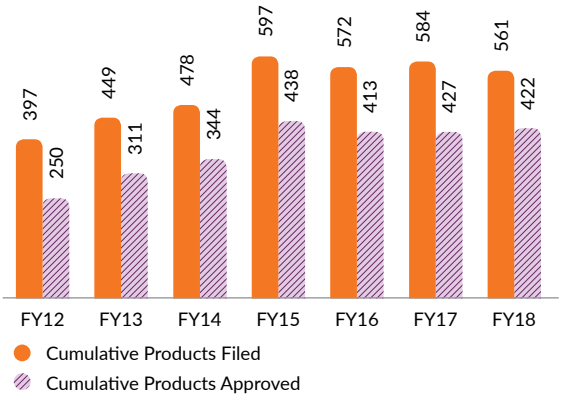
The Company's consolidated US revenues de-grew by 36% in FY18 to ₹87,466 Million. The US generics market continues to face a challenging environment driven by customer consolidation and faster pace of generics approvals by the USFDA. Revenues were also impacted by delay in approvals from the Halol facility for the US market.

Key products which drove revenues down were:

1. **Imatinib Mesylate –** Revenues declined as expected post the expiry of the 180-day exclusivity
2. **Absorica –** Revenues declined due to changes in co-pay programme
3. **Liposomal Doxorubicin –** Faced increased competition from other generics
4. **Authorised generic versions of Olmesartan –** These were launched in FY17 and hence faced competitive intensity in FY18

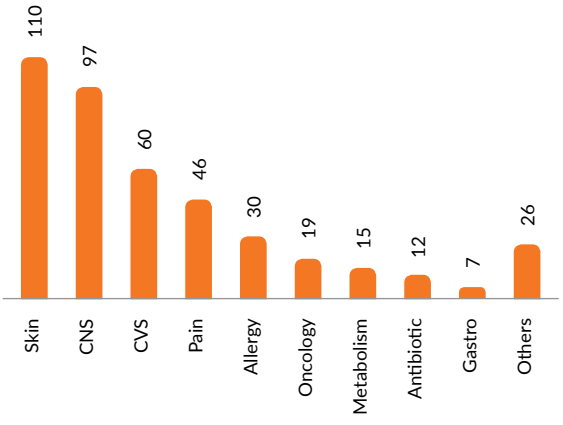
The US revenues for Taro (a 75% subsidiary) declined by 25% for FY18, driven primarily by a difficult generics pricing environment. This resulted from a more intense competition among manufacturers, new market entrants, buying consortium pressures, and a higher ANDA approval rate from the USFDA.

**Chart 9** ANDAs Filed and Approved




(Cumulative numbers for FY16 are lower than FY15 due to Bryan facility divestment. URL ANDA numbers added since March 2013 and Ranbaxy ANDA numbers added for March'15)

**Chart 10** ANDA Approvals by Therapeutic Area




*(As of March 2018)*

## Future growth drivers

- Launch of specialty products
- Patent expiries and the US government's focus on reducing healthcare costs will continue to favour growth of low-cost generics

## Focus areas

- Enhancing the share of specialty business.
- Focussing on complex generics and high-entry barrier segments.
- Ensuring a broad offering to customers across multiple dosage forms.
- Improving service levels for customers through round-the-clock cGMP compliance, product robustness and supply chain

## Indian branded generic business

**31%**
Revenue contribution

**₹80,293 Mn**
Revenues for FY18

**22%**
FY13-18 revenue CAGR

**No. 1**
Ranked in Indian pharmaceutical market, with 8.5% market share

**No. 1**
Ranked by prescriptions with 13 different doctor categories

*As on 31 March, 2018*

Sun Pharma is India's largest pharmaceutical company with 8.5% market share in the domestic market. It is one of the leaders in the chronic segment and enjoys strong positioning in the acute segment. The Company has a well-diversified product portfolio with low brand concentration. It has one of the widest reach in India's medical fraternity with a 9,200+ strong sales force reaching around 600,000 doctors. The sales force has one of the highest productivity metrics among India's key players.

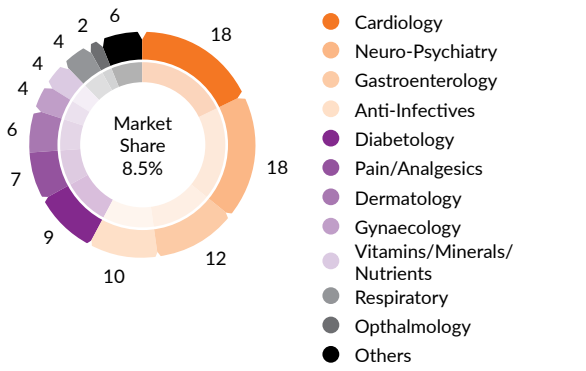
**Brand prominence**

Sun Pharma specialises in technically complex products, offering a comprehensive therapy basket, and owns 32 of the top 300 pharmaceutical brands in India

## Progress in FY18

- Revenue from Indian business increased by 4% to ₹80,293 Million in FY18.
- This growth was achieved despite the implementation of the Goods & Services Tax (GST) in India, which resulted in a temporary disruption in the Indian pharmaceutical market distribution chain.

**Chart 11** Therapeutic revenue break-up[9] (%)




*(As of March 2018)*

**Table 5** Leadership in prescription rankings[10]

| Specialists | February 2017 | Specialists | February 2018 |
|---|---|---|---|
| Psychiatrists | 1 | Psychiatrists | 1 |
| Neurologists | 1 | Neurologists | 1 |
| Cardiologists | 1 | Cardiologists | 1 |
| Orthopaedic | 1 | Orthopaedic | 1 |
| Gastroenterologists | 1 | Gastroenterologists | 1 |
| Nephrologists | 1 | Nephrologists | 1 |
| Diabetologists | 1 | Diabetologists | 1 |
| Consulting Physicians | 1 | Consulting Physicians | 1 |
| Dermatologists | 1 | Dermatologists | 1 |
| Urologists | 1 | Urologists | 1 |
| Oncologists | 1 | Oncologists | 1 |
| Ophthalmologists | 2 | Ophthalmologists | 1 |
| Chest Physicians | 2 | Chest Physicians | 1 |

## Outlook & future growth drivers

- India's pharmaceutical market offers good long-term potential, driven by increasing per capita income, rising healthcare awareness, higher incidence of chronic ailments and gradually increasing insurance coverage.
- Government-mandated price controls and other regulatory changes coupled with competitive intensity will continue to be the key industry challenges.

## Future focus

- Enhancing the productivity of domestic business and strengthening leadership in a hyper-competitive landscape.
- Innovating consistently to ensure high brand equity with doctors.
- Widening the product basket through in-house drug development and in-licensing.

# Emerging markets

**18%**
Revenue contribution

**47%**
FY14-18 revenue CAGR

**₹48,392 Mn**
Revenues for FY18

**100+ countries**
Presence across emerging markets

*As on 31March, 2018*

Sun Pharma ranks among the bellwether Indian companies in emerging markets with an extensive portfolio of branded products. It has presence across 100+ countries spanning emerging and advanced markets. The Company is focusing on key markets of Brazil, Mexico, Russia, Romania, South Africa and complementary and affiliated markets. The large front-end infrastructure, a part of the Ranbaxy acquisition, is being gradually leveraged to expand presence in individual markets. Sun Pharma also has local manufacturing assets in some of these countries to enable a more meaningful participation in the respective markets.

**Emerging Markets Sales Force**

Sun Pharma has a 2,300-member sales force, which capitalises on opportunities available in these markets.

## Progress in FY18

- Revenue from emerging markets grew by 7% to ₹48,392 Million in FY18.
- The growth is broad-based among emerging markets.

## Future growth drivers

- Given the favourable macroeconomic parameters, emerging markets offer encouraging long-term potential.
- This will be counterbalanced by efforts from various governments to make pharmaceutical products more affordable to their population.

## Future focus

- Focus on developing and commercialising more products across therapeutic segments to exploit this growth opportunity.
- Explore opportunities to enhance presence in key markets.
- Improve business profitability in emerging markets by launching complex products and reducing presence in low profitable non-core product segments.

## Rest of the World (RoW) - Western Europe, Canada, Japan, ANZ and other markets

**11%**
Revenue contribution

**₹29,740 Mn**
Revenues for FY18

**36%**
FY14-18 revenue CAGR

*As on 31 March, 2018*

Sun Pharma's presence in the Rest of the World (RoW) spans across Western Europe, Japan, Canada, Israel, Australia, New Zealand and other markets. Its product portfolio comprises injectables, hospital products as well as products for the retail market.

### Progress in FY18

- Revenues for RoW markets increased by 15% to ₹29,740 Million in FY18.
- Growth was primarily driven by the full-year inclusion of sales of acquired brands in Japan.

### Future growth drivers

- Enhanced drug demand in geriatric care and lifestyle diseases such as obesity, hypertension, depression and diabetes will drive pharmaceutical consumption in these markets.
- Adoption of newer medical technologies as well as government policies of promoting low-cost generics will propel growth in these markets.

### Outlook and future focus

- Ramping up presence in Japan post transfer of Novartis brands to Sun Pharma.
- Improving profitability for overall portfolio.

## Active Pharmaceutical Ingredients (API) business

**6%**
Revenue contribution

**₹13,993 Mn**
Revenues for FY18

**13%**
FY13-18 revenue CAGR

**14**
API manufacturing units

**291**
DMF/CEP approvals

**396**
DMF/CEP filings

*As on 31 March, 2018*

Sun Pharma's API capability is of strategic importance as it provides cost competitiveness and supply reliability through backward integration. A significant portion of API production acts as inputs for the Company's formulations business. Besides captive consumption, Sun Pharma also supplies APIs to external customers comprising large generics and innovator companies.

**API portfolio**

Sun Pharma manufactures over 300 APIs across 14 locations, adding approximately 20 APIs to its portfolio, annually.

### Progress in FY18

- Revenue from APIs and other sources declined by 12% to ₹13,993 Million in FY18.

### Future growth drivers

- Increasing adoption of generics worldwide and rising cancer prevalence are some of the factors that propel the growth of the pharmaceutical ingredients market.

### Focus areas

- Expanding API portfolio to enhance the scale and scope of API operations.
- Ensuring long-term supply relationships with global customers.

## Global consumer healthcare business

**20**
Key brands

**350+**
Sales and distribution representatives in India

**20+**
Country presence

**390,000+**
Market reach - outlets in India

*As on 31st March, 2018*

Sun Pharma is among the top 10 consumer healthcare companies in India, Romania, Nigeria and Myanmar. It is also ranked No. 1 in the Romania OTC market. The Company's major markets are India, Russia, Romania, Nigeria, South Africa and Myanmar. It also has significant presence in Ukraine, Poland, Belarus, Kazakhstan, Thailand, Morocco and UAE, where it is scaling up at a steady pace. The Company has presence across OTC sub-categories like Vitamins and Minerals, Cold and Flu, Analgesics, Digestive and Dermatology.

### Progress in FY18

As per Euromonitor 2017 report, Sun Pharma's consumer healthcare business in India recorded over 10% growth during the year and has grown at 12.6% CAGR over the preceding six years. Sun Pharma commands a 2.8% market share in India's consumer healthcare market.

## Future growth drivers

- Indian consumer healthcare market will be driven by emerging middle-class and rising healthcare consumption.
- Globally, emerging markets like Russia, Romania, Nigeria, South Africa and Myanmar are projected to see sustained growth, driven by enhanced healthcare awareness.

## Focus areas

- Continuing to invest in the accelerating OTC business across key markets through brand building and brand extensions.
- Expanding presence across OTC sub-categories in various markets.
- Maintaining leadership in existing markets by offering innovative solutions to consumers.

## Research & development - delivering through innovation

Sun Pharma services both regulated and emerging pharmaceutical markets with its diverse product range of branded and generics products. Its robust research and development (R&D) capabilities has helped the Company develop technology-intensive products and deliver them at affordable prices to international markets. It has a wide-ranging portfolio of 2,000+ products across the world.

The Company's capable team of research scientists underpins its research and development capacities. It has many state-of-the-art research centres located across the world that provide facilities for developing generic drugs, Active Pharmaceutical Ingredients (APIs) and Novel Drug Delivery Systems (NDDS). Moreover, it is focussing on development of New Chemical Entities (NCEs) for global markets and has made significant investments in this field. Sun Pharma's R&D centres have been successfully audited and approved by international regulatory authorities, including the USFDA and European authorities.

The Company has commercialised a formidable product pipeline with successful offerings in liposomal products, lyophilised injections, nasal sprays, ointments, liquids and oral products among others.

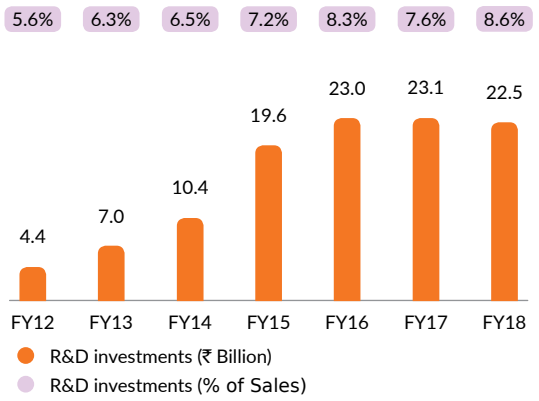
R&D is critical for Sun Pharma and remains a key determinant of its future growth. Thus, Sun Pharma spent 8.6% of its sales on R&D during FY18. The Company is focussing more on developing specialty products and technically complex offerings to differentiate itself from competition. It also has a robust Intellectual Property Rights team, enabling it to patent its innovations globally and develop non-infringing products.

**₹130 Bn**

Sun Pharma's cumulative R&D investment

*As on 31 March, 2018*

**Chart 12 R&D investment**




**561**
Cumulative ANDAs filed

**422**
Cumulative ANDAs Approved

**42**
Cumulative NDA/BLA filed

**39**
Cumulative NDA/BLA approved

**396**
DMF/CEP cumulative applications filed

**291**
DMF/CEP cumulative applications approved

**1,106**
Total patent applications Submitted

**1,065**
Total patents granted

**32**
ANDAs filed in FY18

**21**
ANDAs approved in FY18

**19**
DMFs filed in FY18

**19**
DMFs approved in FY18

## Global manufacturing footprint

Sun Pharma owns 42 manufacturing units, spanning six continents. The production units are located in India the US, Russia, Canada, Hungary, Israel, Bangladesh, Romania, Nigeria, South Africa, Malaysia and Australia.

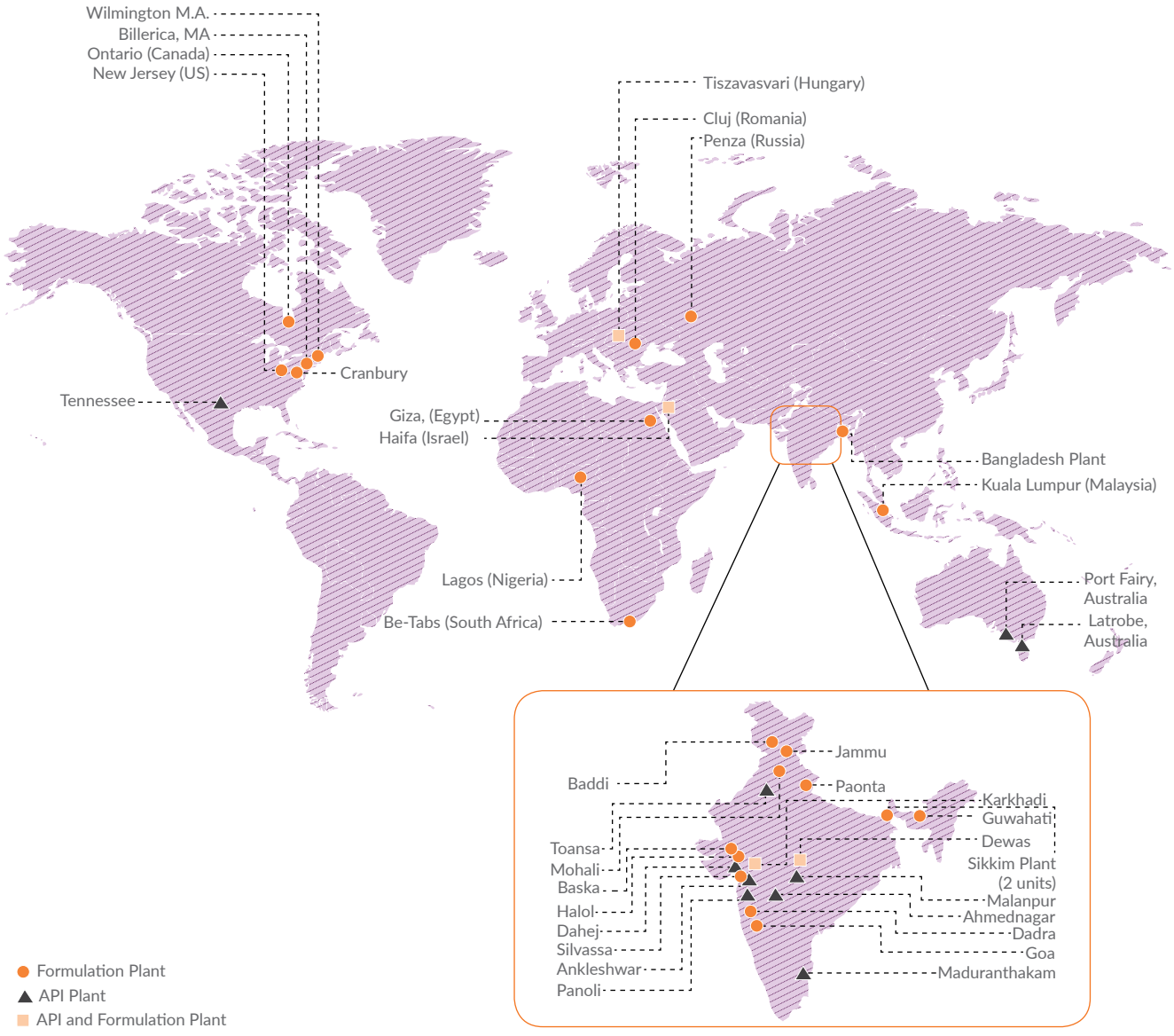
The Company ensures that these units are world-class with latest equipment and technologies to provide best-in-class products to patients worldwide. It has vertically integrated operations that equip the Company to maintain a high-quality and low-cost value chain for quick market entry across geographies.

The Company focuses on producing generics, branded generics, specialty products, over-the-counter (OTC) products, anti-retrovirals (ARVs) and Active Pharmaceutical Ingredients (APIs). It has capabilities to manufacture the full range of dosage forms, including tablets, capsules, injectables, ointments, creams and liquids. Moreover, its operations are involved in the production of specialty APIs, including controlled substances, steroids, peptides and anti-cancers. Sun Pharma is among the few enterprises that has comprehensively integrated

manufacturing operations to produce oncology, hormones, peptides, controlled substances and steroidal drugs.

The Company complies with globally relevant regulatory policies and procedures. Its manufacturing facilities have been certified by regulatory authorities of the US (USFDA), Europe (EMA), the UK (MHRA), Australia (TGA), South Africa (MCC) and Germany (BfArM), ANVISA (Brazil), WHO (Geneva), KFDA (Korea) and PMDA (Japan). The Company emphasises on round-the-clock compliance to cGMP standards which are imperative for a global pharmaceutical business.

## Global manufacturing footprint




| 28 finished dosage manufacturing sites | 14 API manufacturing sites |
|---|---|
| • India: 14 | • India: 9 |
| • US: 4 | • Australia: 2 |
| • One each at Canada, South Africa, Malaysia, Russia, Hungary, Israel, Bangladesh, Romania, Egypt and Nigeria | • One each at Israel, US and Hungary |
| **Delivery formats** | **Key API Plants** |
| • **Orals**: Tablets/Capsules, Semisolids, Liquids and Suppository | • The Panoli and Ahmednagar (both India) has USFDA and European approvals. They have standalone units for peptides, anti-cancer, steroids and sex hormones, among others |
| • **Injectables/Sterile**: Vials, Ampoules, Pre-filled Syringes, Gels, Lyophilized Units, Dry powder, Eye drops, MDI and Aerosols | • The plants in Australia, Hungary and the US (Tennessee) manufacture controlled substances |
| • **Topicals**: Creams and Ointments | |

## Managing talent

Sun Pharma has a global and diverse talent pool comprising over 50 nationalities. The Company considers its human assets to be its pivotal driving force and harbours a congenial work culture that encourages people (irrespective of race, gender and nationality) to contribute their best and accomplish the organisation's common objectives.

The Company offers several skill development opportunities to its 32,000+ workforce which includes various management programmes for employees to enhance their skills. Moreover, it has a wide range of knowledge sharing platforms that empower employees to grow professionally and be future-ready.

The Company promotes equal opportunities for all and values a healthy work-life balance. It has several employee engagement initiatives that minimise attrition.

## Quality adherence

Quality is considered critical at all Sun Pharma's R&D centres, manufacturing units and testing and distribution facilities. It is committed to implementing a robust global quality management system. This dedication stems from Sun Pharma's determination to sustain a culture of operational excellence and meeting and exceeding stakeholders' — regulators, patients and customers — expectations. The Company firmly believes in the motto of 'putting patients first'.

Sun Pharma's global Quality Management Team ensures every product it manufactures and distributes complies with internationally accepted good practices and standards of quality, purity, efficacy and safety. The Company has distinct procedures and systems in every facility to maintain global quality standards, and to ensure compliance with the requirements of the Current Good Manufacturing Practices (cGMP), WHO, PICs and EU GMP. Sun Pharma ensures that its operating procedures meet the exacting standards of all global regulators like the USFDA, EMA, WHO and TGA, among others.

Sun Pharma has well-trained personnel for quality control at each site, who along with a regulatory affairs department, ensure strict adherence to quality systems and procedures. The teams are guided by a Corporate Quality Unit (CQU). CQU supervises the translation of the latest GMP updates to guidelines, standard operating procedures (SOPs) and protocols. The teams oversee the implementation of these guidelines to deliver quality products every time. Additionally, Sun Pharma's manufacturing plants are audited by an autonomous Corporate Compliance Department to establish 24x7 compliance and conformance.

During FY18, many of the Company's facilities underwent successful audits by various global regulatory authorities, including the USFDA. The Halol facility underwent a re-inspection by the USFDA in February 2018. On completion of the re-inspection, the USFDA issued three observations for the facility. Subsequently in June 2018, the USFDA issued the establishment inspection report (EIR) for Halol, thus clearing it.

## Internal control

Sun Pharma believes that internal control is a prerequisite of the principle of governance and that freedom should be exercised within a framework of checks and balances. The Company has a well-established internal control framework, which is designed to continuously assess the adequacy, effectiveness and efficiency of financial and operational controls. The management is committed to ensuring an effective internal control environment, commensurate with the size and complexity of the business, which provides an assurance on compliance with internal policies, applicable laws, regulations and protection of resources and assets.

An independent and empowered Global Internal Audit Function at the corporate level carries out risk-focused audits across all businesses (both in India and overseas), which actively identifies areas, where business process controls are ineffective or may need enhancement. These reviews include financial, operational and compliance controls and risk mitigation plans. The Audit Committee of the Board periodically reviews key findings and provides strategic guidance. The Company's operating management closely monitors the internal control environment and ensures that the recommendations are effectively implemented.

## Disclaimer

Statements in this 'Management Discussion and Analysis' describing the Company's objectives, projections, estimates, expectations, plans or predictions or industry conditions or events are 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, competitors' pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic conditions within India and the countries within which the Company conducts businesses and other factors, such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward-looking statements, based on any subsequent development, new information or future events or otherwise except as required by applicable law. Unless the context otherwise requires, all references in this document to 'we', 'us' or 'our' refers to Sun Pharmaceutical Industries Limited and consolidated subsidiaries.

## Bibliography

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2. IQVIA Market Prognosis, September 2017; IQVIA Institute, October 2017
3. Evaluate Pharma World Preview 2018
4. United Nations Population Fund
5. Nicholas Hall 2017
6. Research and Markets
7. India Brand Equity Foundation
8. IndiaSpend
9. AIOCD AWACS, March 2018
10. SMSRC Prescription Rankings

# Board's Report

Your Directors take pleasure in presenting the Twenty-Sixth Annual Report and Company's Audited Financial Statements for the financial year ended March 31, 2018.

## FINANCIAL RESULTS

(₹ in Million)

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | Year ended March 31, 2018 | Year ended March 31, 2017* | Year ended March 31, 2018 | Year ended March 31, 2017 |
| Revenue from operations | **79,476.0** | 77,932.0 | **264,894.6** | 315,784.4 |
| Profit / (Loss) before tax but after exceptional item | **(5199.8)** | (168.0) | **34,789.8** | 90,478.7 |
| Tax Expense: | | | | |
| -Current Tax | **20.2** | 57.7 | **6,628.0** | 4,046.4 |
| -Deferred Tax Charge / (Credit) | **(274.1)** | 2.7 | **(720.6)** | 8,069.3 |
| -Deferred tax charge / (Credit) - exceptional | **-** | - | **2,544.5** | - |
| Profit / (Loss) after tax | **(4,945.9)** | (228.4) | **26,337.9** | 78,363.0 |
| Profit / (Loss) after Tax but before Share in profit / (loss) of associates / joint ventures | **-** | - | **26,337.9** | 78,363.0 |
| Share of Profit/ (loss) of associates / joint ventures (Net) | **-** | - | **(254.4)** | 99.3 |
| Profit for the year before non-controlling interests | **-** | - | **26,083.5** | 78,462.3 |
| Non-controlling interests | **-** | - | **4,468.0** | 8,818.6 |
| Profit for the year attributable to owners of the Company | **-** | - | **21,615.5** | 69,643.7 |
| Total other Comprehensive Income | **494.9** | (634.5) | **5,232.5** | (14,871.9) |
| Total Comprehensive Income / (Loss) for the year attributable to: | **(4,451.0)** | (862.9) | **31,316.0** | 63,590.4 |
| -Owners of the Company | **(4,451.0)** | (862.9) | **26,370.3** | 56,306.1 |
| -Non-Controlling Interest | **-** | - | **4,945.7** | 7,284.3 |
| | | | | |
| Opening balance in Retained Earnings | **124,860.0** | 126,353.4 | **306,456.9** | 2,51,630.4 |
| Additions: | | | | |
| Transfer on Merger* | **-** | 1,824.8 | **-** | - |
| Amount available for appropriation | **(4,511.5)** | (829.2) | **22,123.2** | 68,933.4 |
| Less: Appropriations | | | | |
| Dividend on Equity Shares | **7,977.4** | 2,406.8 | **7,977.4** | 2,406.8 |
| Dividend Distribution Tax | **3.4** | 74.7 | **1,624.0** | 490.0 |
| Transfer to various Reserves: | | | | |
| -Capital redemption Reserve | **-** | 7.5 | **-** | 7.5 |
| -Debenture redemption Reserve | **-** | - | **(833.4)** | 1,041.7 |
| -Capital reserve | **-** | - | **-** | 50.6 |
| -Buy-back of equity shares by overseas subsidiary company | **-** | - | **2,168.1** | 10,110.3 |
| -Legal reserve | **-** | - | **2.5** | - |
| -General reserve | **-** | - | **-** | - |
| Closing balance in Retained Earnings | **112,367.7** | 124,860.0 | **317,641.5** | 306,456.9 |

*Refer Note 56(13) of Standalone Financial Statements (Note 18 of Abridged Standalone Financial Statements)

## DIVIDEND

Your Directors have recommended a dividend of ₹ 2.00 (Rupees Two only) per equity share of ₹ 1/- each [previous year ₹ 3.50/- per equity share of ₹ 1/- each] for the year ended March 31, 2018, subject to the approval of the equity shareholders at the ensuing 26th Annual General Meeting of the Company.

The dividend payout is in accordance with the Company's Dividend Distribution Policy. The Dividend Distribution Policy of the Company is provided as 'Annexure – A' to this Report. The policy is also available on the website of the Company and can be accessed through the web link: http://www.sunpharma.com/policies.

## CHANGES IN CAPITAL STRUCTURE

During the year under review, the Company has allotted 18893 equity shares of ₹ 1/- each under Sun Employee Stock Option Scheme - 2015 and 13106 equity shares of ₹ 1/- each under Sun Employee Stock Option Plan – 2015 thereby the paid up share capital of the Company increased to ₹ 2,399,323,180/- (Rupees Two Billion Three Hundred Ninety-Nine Million Three Hundred Twenty-Three Thousand One Hundred Eighty only) as on March 31, 2018.

Further, on May 24, 2018, the Company has allotted 1314 equity shares of ₹ 1/- each under Sun Employee Stock Option Scheme – 2015.

## SCHEME OF ARRANGEMENTS

1. During the year, the Hon'ble National Company Law Tribunal of Gujarat at Ahmedabad had vide its order dated August 11, 2017 sanctioned the Scheme of Arrangement among Sun Pharma Medisales Private Limited, Ranbaxy Drugs Limited, Gufic Pharma Limited, Vidyut Investments Limited (collectively "Transferor Companies") wholly owned subsidiaries of the Company and the Company ("Transferee Company") and their respective members and creditors ("Scheme") whereby the Transferor Companies stand amalgamated with the Company w.e.f. September 08, 2017 with appointed date being April 01, 2017. Pursuant to the Scheme no consideration was paid.

2. During the year, the Board of Directors at its meeting held on November 14, 2017 has approved another Scheme of Arrangement among Sun Pharma Global FZE ("Transferor Company"), a wholly owned subsidiary of the Company and the Company and their respective members and creditors ("Scheme") for demerger of the Specified Undertaking (as defined in the Scheme) of Transferor Company into the Company. The Hon'ble National Company Law Tribunal of Gujarat, at Ahmedabad ("NCLT") had dispensed with convening of meeting of secured creditors of the Company and ordered to convene the meeting of equity shareholders and unsecured creditors of the Company on June 01, 2018 to approve the Scheme with appointed date as April 01, 2017 or such other date as may be agreed between the Transferor Company and the Company and approved by the NCLT. Pursuant to said Scheme, no consideration shall be paid and no shares of the Company shall be issued and allotted to the Transferor Company. The Scheme will result in strengthening of the business, synergestic benefits, economies of scale, faster decision making, integration of supply chain, reduction in operating costs, strengthening the focus, increased ability to face the competitive regulatory environment, increasing profitability, higher market share etc.

3. Further the Board of Directors at its meeting held on May 25, 2018 has also approved a Composite Scheme of Arrangement among the Company and Sun Pharma (Netherlands) B.V. and Sun Pharmaceutical Holdings USA Inc, wholly owned subsidiaries of the Company and their respective members and creditors ("Scheme"), for demerger of Specified Investment Undertaking -1 (as defined in the Scheme) of the Company into Sun Pharma (Netherlands) B.V. and Specified Investment Undertaking -2 (as defined in the Scheme) of the Company into Sun Pharmaceutical Holdings USA Inc. This demerger shall enable the Company to address the risks and policies, ability to strategize the remaining business for long term growth, strengthening of the investment portfolio, consolidation and creation of shareholder value. The Company shall be making the necessary application to the Hon'ble National Company Law Tribunal of Gujarat, at Ahmedabad and such other authorities as may be required for obtaining necessary approvals for the aforesaid Scheme.

## EXTRACT OF ANNUAL RETURN

The extract of Annual Return as required under sub-section (3) of Section 92 of the Companies Act, 2013 ('the Act') in form MGT-9 is provided as 'Annexure – B' to this Report.

## SUBSIDIARIES/ JOINT VENTURES/ ASSOCIATE COMPANIES

The statement containing the salient features of the Financial Statements of the Company's subsidiaries/ joint ventures/ associate companies is given in Form AOC – 1, provided in notes to the Consolidated Financial Statements, forming part of the Annual Report.

The highlights of performance of subsidiaries, joint ventures and associate companies and their contribution to the overall performance of the Company during the financial year is given under 'Annexure A of the Consolidated Financial Statements' forming part of the Annual Report.

Details pertaining to companies that became subsidiaries/ joint ventures/associates and those that ceased to be the subsidiaries/ joint ventures/associates of the Company during the year are provided in Note no. 39 of the notes to the Consolidated Financial Statements, forming part of the Annual Report.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Dilip S. Shanghvi, Managing Director and Mr. Sudhir V. Valia, Whole-time Director of the Company retire by rotation and being eligible offer themselves for reappointment at the ensuing 26th Annual General Meeting of the Company.

The present term of appointment of Mr. Sudhir V. Valia and Mr. Sailesh T. Desai as Whole-time Directors will expire on March 31, 2019. They have made significant contributions to the overall growth of the Company's business. Your Directors recommend the re-appointment of Mr. Sudhir V. Valia and Mr. Sailesh T. Desai for a further period of 5 (Five) years from April 01, 2019 to March 31, 2024, and remuneration for a period of 3 (Three) years from April 01, 2019 to March 31, 2022 due to inadequacy of profits, for approval of the members at the ensuing 26th Annual General Meeting of the Company.

Further the present term of appointment of Mr. Kalyanasundaram Subramanian as Whole-time Director will expire on February 13, 2019. He has made significant contribution to the overall growth of the Company's business. Your Directors recommend the re-appointment of Mr. Kalyanasundaram Subramanian for a further period of 2 (Two) years from February 14, 2019 to February 13, 2021, without any remuneration, for approval of the members at the ensuing 26th Annual General Meeting of the Company.

Mr. Vivek Chaand Sehgal and Mr. Gautam Doshi were appointed as Additional Independent Directors of the Company w.e.f. November 14, 2017 and May 25, 2018 respectively in accordance with the provisions of Section 149 and 161(1) of the Act and they both hold office upto the date of ensuing 26th Annual General Meeting. The Board recommends appointment of Mr. Vivek Chaand Sehgal and Mr. Gautam Doshi as Independent Directors of the Company for a term of 5(Five) years effective from November 14, 2017 and May 25, 2018 respectively for approval of the members at the ensuing 26th Annual General Meeting of the Company.

Pursuant to Regulation 17(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") to be effective from April 01, 2019, the consent of the members by way of Special Resolution is required for continuation of a Non-Executive Director of a company beyond the age of seventy five years. Mr. Israel Makov, Non-Executive Director and the Chairman of the Company, having attained an age of 79 years, the Board has recommended his continuation as a Director of the Company for approval of the members at the ensuing 26th Annual General Meeting of the Company.

Mr. Hasmukh Shah had resigned as an Independent Director of the Company effective from November 15, 2017. The Board of Directors places on record their appreciation for contributions made by Mr. Hasmukh Shah during his tenure as an Independent Director of the Company.

Appropriate resolutions for the appointment / re-appointment of the Directors are being placed for your approval at the ensuing 26th Annual General Meeting. Your Directors recommend the appointment/reappointment of the aforesaid Directors by the members at the ensuing 26th Annual General Meeting of the Company.

As informed in the previous year's Board's Report, Mr. C.S. Muralidharan has been appointed as Chief Financial Officer of the Company w.e.f June 19, 2017 and Mr. Uday Baldota had resigned as Chief Financial Officer w.e.f. June 19, 2017 to assume office as the Director and Chief Executive Officer of Taro Pharmaceutical Industries Limited, a subsidiary of the Company.

## DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and under Listing Regulations.

## REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES AND CRITERIA FOR APPOINTMENT OF DIRECTORS

For the purpose of selection of any Director, the Nomination and Remuneration Committee identifies persons of integrity who possess relevant expertise, experience and leadership qualities required for the position. The Committee also ensures that the incumbent fulfills such criteria with regard to qualifications, positive attributes, independence, age and other criteria as laid down under the Act, Listing Regulations or other applicable laws. The Board has, on the recommendation of the Nomination and Remuneration Committee framed a policy on remuneration of Directors, Key Managerial Personnel and other Employees. The Remuneration Policy of the Company is enclosed as 'Annexure B to Corporate Governance Report', which forms part of this Report

## FAMILIARISATION PROGRAMME FOR THE INDEPENDENT DIRECTORS

In compliance with the requirements of Regulation 25(7) of the Listing Regulations, the Company has put in place a Familiarisation Programme for the Independent Directors to familiarise them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model etc. The details of the Familiarisation Programme conducted are available on the website of the Company www.sunpharma.com and may be accessed through the web link: http://www.sunpharma.com/policies.

## NUMBER OF MEETINGS OF THE BOARD

The Board of Directors of the Company met 5 (Five) times during the year under review on May 26, 2017; August 11, 2017; September 26, 2017; November 14, 2017; and February 14, 2018. The particulars of attendance of the Directors at the said meetings are detailed in the Corporate Governance Report, which forms a part of this Report. The intervening gap between the meetings was within the period prescribed under the Act and Listing Regulations.

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

During the year, the evaluation of the annual performance of individual Directors including the Chairman of the Company and Independent Directors, Board and Committees of the Board was carried out under the provisions of the Act, relevant Rules, and the Corporate Governance requirements as prescribed under Regulation 17 of Listing Regulations and based on the circular issued by SEBI dated January 5, 2017 with respect to Guidance Note on Board Evaluation. The Nomination and Remuneration Committee had approved the criteria for the performance evaluation of the Board, its Committees and individual Directors as per the SEBI Guidance Note on Board Evaluation.

The Chairman of the Company interacted with each Director individually, for evaluation of performance of the individual Directors. The evaluation for the performance of the Board as a whole and of the Committees were conducted by way of questionnaires.

In a separate meeting of Independent Directors, performance of Non Independent Directors and performance of the Board as a whole was evaluated. Further, they also evaluated the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-executive Directors.

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of various criteria such as structure and diversity of the Board, competency of Directors, experience of Director, strategy and performance evaluation, secretarial support, evaluation of risk, evaluation of performance of the management and feedback, independence of the management from the Board etc. The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of criteria such as mandate and composition, effectiveness of the committee, structure of the committee and meetings, independence of the committee from the Board and contribution to decisions of the Board. The Nomination and Remuneration Committee reviewed the performance of the individual Directors on the basis of the criteria such as qualification, experience, knowledge and competency, fulfillment of functions, availability and attendance, initiative, integrity, contribution and commitment etc, and the Independent Directors were additionally evaluated on the basis of independence, independent views and judgement etc. Further the evaluation of Chairman of the Board, in addition to the above criteria for individual Directors, also included evaluation based on effectiveness of leadership and ability to steer the meetings, impartiality, etc.

## HUMAN RESOURCES

We continue to believe that our organizational plans are fuelled by our employees and in an ever-changing business environment, it is critical to have credible and transparent people management practices and policies. The Human Resources agenda focuses on employee welfare, productivity and performance as a priority. We believe nurturing a high performance culture is imperative. Your company is proud to have talent which is varied and deep in its experiences and expertise across manufacturing, R & D, sales and other functions. Globally, the Company (including subsidiary and associate companies) has a dedicated human capital of over 30,000 employees at various locations across our various offices, R & D Centers & more than 40+ active manufacturing locations and dedicated sales professionals across various geographies. Your Directors would also like to take this opportunity to express their appreciation for the hard work and commitment of the employees of the Company and look forward to their continued contribution.

Information as per Section 197 (12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in 'Annexure – C' to this Report. Further, the information pertaining to Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, pertaining to the names and other particulars of employees is available for inspection at the Registered office of the Company during business hours and pursuant to the second proviso to Section 136(1) of the Act, the Report and the accounts are being sent to the members excluding this. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary/Compliance Officer at Corporate office or Registered office address of the Company.

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

Your Company strongly believes in providing a safe and harassment free workplace for each and every individual working for the Company through various interventions and practices. It is the continuous endeavor of the Management of the Company to create and provide an environment to all its employees that is free from discrimination and harassment including sexual harassment. The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. The Company has arranged various interactive awareness workshops in this regard for the employees at the manufacturing sites, R & D set ups & corporate office during the year under review. The Company has submitted the Annual Returns to the local authorities under the above mentioned Act. During the financial year ended March 31, 2018, 1 complaint pertaining to sexual harassment was received and the same was resolved by the Company. There are no complaints pending as at the end of the financial year.

## AUDITORS

### Statutory Auditors

S R B C & Co LLP, Chartered Accountants, (Firm's Regn. No. 324982E/E300003), were appointed as the Statutory Auditors of the Company for a period of 5 (five) years at the 25th Annual General Meeting of the Company to hold office till 30th Annual General Meeting of the Company.

The Auditor's Report for the financial year ended March 31, 2018, has been issued with an unmodified opinion, by the Statutory Auditors.

### Secretarial Auditor

The Company had appointed Messrs C. J. Goswami & Associates, Practicing Company Secretaries, Mumbai to undertake the Secretarial Audit of the Company for the financial year ended March 31, 2018. The Secretarial Audit Report in the Form No. MR – 3 for the year is provided as 'Annexure – D' to this Report. The Secretarial Audit Report for the year does not contain any qualification, reservation or adverse remark.

### Cost Auditor

The Company has appointed Messrs Kailash Sankhlecha & Associates, Cost Accountants, Vadodara as Cost Auditor of the Company for conducting Cost Audit in respect of Bulk Drugs & Formulations of your Company for the financial year 2018-19.

## SECRETARIAL STANDARDS

The Company has complied with the applicable Secretarial Standards as amended from time to time.

## LOANS, GUARANTEES & INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the Financial Statements.

## RELATED PARTY TRANSACTIONS

The policy on Related Party Transactions as approved by the Board is available on the website of the Company and can be accessed through the web link http://www.sunpharma.com/policies. All contracts/arrangements/transactions entered by the Company during the year under review with the related parties were in the ordinary course of business and on an arm's length basis.

As required under Section 134(3)(h) of the Act, details of transactions entered with Related Parties under the Act exceeding ten percent of the annual consolidated turnover as per the last audited financial statements are given in Form AOC-2 provided as 'Annexure – E' to this Report.

## AUDIT COMMITTEE COMPOSITION

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

## RISK MANAGEMENT

The Company has developed & implemented an integrated Enterprise Risk Management Framework through which it identifies monitors, mitigates & reports key risks that impacts its ability to meet the strategic objectives. The Board of Directors have constituted a Risk Management Committee which is entrusted with the responsibility of overseeing various strategic, operational and financial risks that the organisation faces, along with the adequacy of mitigation plans to address such risks. There is an overarching Risk Management Policy in place that was reviewed and approved by the

Board. The Corporate Governance Report, which forms part of this Report, contains the details of Risk Management Committee of the Company.

## INTERNAL FINANCIAL CONTROLS

The Company has in place well defined and adequate internal financial control framework. During the year under review, such controls were tested and no material weaknesses were observed both in their design or operations.

## CORPORATE SOCIAL RESPONSIBILITY

In compliance with the requirements of Section 135 of the Act read with the Companies (Corporate Social Responsibility) Rules, 2014, the Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee of the Company. The details of membership of the Committee and the meetings held are detailed in the Corporate Governance Report, forming part of this Report. During the year under review, the Board of Directors have approved certain amendments in CSR policy pertaining to the projects and CSR activities to be undertaken by the Company. The contents of the CSR Policy of the Company as approved by the Board on the recommendation of the CSR Committee are available on the website of the Company and can be accessed through the web link: http://www.sunpharma.com/policies. The average net profit of the Company for last three financial years is negative, therefore the Company was not required to spend on CSR activities during the year, however, the Company has voluntarily spent on CSR activities. The annual report on CSR activities containing details of voluntary expenditure incurred by the Company and brief details on the CSR activities are provided in 'Annexure – F' to this Report.

## PUBLIC DEPOSITS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis as prescribed under Part B of Schedule V read with Regulation 34(3) of the Listing Regulations is provided in a separate section and forms part of this Report.

## CORPORATE GOVERNANCE REPORT

Report on Corporate Governance and Certificate of the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in Part C of Schedule V of the Listing Regulations, are provided in a separate section and forms part of this Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, is provided as 'Annexure – G' to this Report.

## EMPLOYEES' STOCK OPTION SCHEMES

The Company has two Employees' Stock Option Schemes, one through Trust Route and the other by Direct Route, both inherited from erstwhile Ranbaxy Laboratories Limited ("Ranbaxy"). The scheme through Direct Route has been named as Sun Pharma Employee Stock Option Scheme – 2015, and the one through Trust Route as Sun Pharma Employee Stock Option Plan – 2015. Both the schemes were adopted by the Company with certain amendments consequent upon merger of erstwhile Ranbaxy into the Company. Both the Schemes are in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Scheme through Trust Route i.e. Sun Pharma Employee Stock Option Plan – 2015 has been completed in August 2017.

Disclosures with respect to the Employees' Stock Option Schemes in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 are available on the Company's website and can be accessed at: http://www.sunpharma.com/pdflist/all-documents.

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

There are no significant and material orders passed by the regulators or courts or tribunals which impact the going concern status and Company's operations in future.

## WHISTLE BLOWER POLICY/ VIGIL MECHANISM

To create enduring value for all stakeholders and ensure the highest level of honesty, integrity and ethical behaviour in all its operations, the Company has adopted a 'Global Whistle Blower Policy' for Sun Pharmaceutical Industries Limited and all its subsidiaries, in addition to the existing Global Code of Conduct that governs the actions of its employees. Further details on vigil mechanism of the Company are provided in the Corporate Governance Report, forming part of this Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

a) in the preparation of the annual accounts for the financial year ended March 31, 2018, the applicable accounting standards have been followed and there are no material departures from the same;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the loss of the Company for the year ended on that date;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a going concern basis;

e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## CONSOLIDATED ACCOUNTS

The consolidated financial statements for the year ended March 31, 2018 have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

## CREDIT RATING

ICRA Ltd. has reaffirmed the highest credit rating of '[ICRA] A1+'/'[ICRA] AAA(Stable)' for the bank facilities, long term/short term borrowings and commercial paper programs of the Company.

Further, CRISIL Ltd. has also reaffirmed the highest credit rating of 'CRISIL A1+ and CRISIL AAA/Stable' for short term & long term bank facilities and commercial paper programs of the Company.

## BUSINESS RESPONSIBILITY REPORTING

The Business Responsibility Report of the Company for the year ended March 31, 2018, is made available on the website of the Company at http://www.sunpharma.com/pdflist/all-documents and forms part of the Annual Report, and is also available at the Registered office / Corporate office of the Company for inspection. A copy of the aforesaid report shall be made available to such of those shareholders who are desirous and interested, upon receipt of a written request from them.

## ABRIDGED ANNUAL REPORT

In terms of the provision of Section 136(1) of the Act, Rule 10 of Companies (Accounts) Rules, 2014 and Regulation 36 of the Listing Regulations and to support Green Initiative, the Board of Directors has decided to circulate the physical copy of Abridged Annual Report containing salient features of Financial Statements and other documents for financial year 2017-18 to the members, who have not registered their e-mail ids. All the annexures to the Board's Report referred herein viz., Annexure - A to Annexure - G and the Corporate Governance Report (including its annexures) have been excluded from the Abridged Annual Report which is being circulated to the members who have not registered their e-mail id.

The members who are desirous of receiving the full version of the Annual Report may write to the Company's Registrar and Share Transfer Agent for a copy of the same. Full version of the Annual Report can also be accessed from the Company's website: www.sunpharma.com

## ACKNOWLEDGEMENTS

Your Directors wish to thank all stakeholders, employees and business partners, Company's bankers, medical professionals and business associates for their continued support and valuable cooperation.

The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 25, 2018

Israel Makov
Chairman

ANNEXURE - A

# DIVIDEND DISTRIBUTION POLICY

## 1. OBJECTIVES AND SCOPE:

The Board of Directors (the "Board") of the Sun Pharmaceutical Industries Limited (the "Company") recognizes the need to lay down a broad framework for considering decisions by the Board of the Company, with regard to distribution of dividend (including any interim dividend) to its equity shareholders and/or retaining or plough back of its profits.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the equity shareholders. The Policy is not an 'alternative' but a 'Guide' to the decision of the Board for recommending dividend, which may be made after taking into consideration all the relevant circumstances enumerated hereunder and such other factors as may be decided as relevant by the Board.

While recommendation of Dividend shall be guided by this Policy, in extraordinary circumstances, the Board shall have complete liberty to recommend dividend in deviation to this policy, if so deemed necessary in the best interests of the Company and its stakeholders.

The Policy reflects the intent of the Company to reward its equity shareholders by sharing a portion of its profits after adjusting for accumulated losses, if any, and also retaining sufficient funds for future growth of the Company. The Company intends to pay, subject to the circumstances and factors enlisted hereon, dividend, which shall be consistent with the performance of the Company over the years.

Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management including the CFO, and other relevant factors.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares, if any.

## 2. RELEVANT REGULATIONS

The Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalisation calculated as on the 31st day of March of every year. The Company, being one of the top five hundred listed Companies in India on the basis of market capitalisation, requires to comply with the requirements of Regulation 43A.

## 3. EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board i.e. 10th November, 2016.

## 4. CATEGORY OF DIVIDENDS

The Board of Directors shall have the power to recommend final dividend to the equity shareholders for their approval in the Annual General Meeting of the Company. Subject to compliance with the provisions of Companies Act, 2013 including the Rules made thereunder and other relevant regulations, if any, the Board of Directors shall also have the absolute power to declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared, as and when they consider it fit in compliance with Companies Act, 2013 and other relevant regulations. Interim Dividend may be paid in order to supplement the annual dividend or in exceptional circumstances.

## 5. PAYMENT OF DIVIDEND FROM RESERVES

Dividend shall normally be declared from the profit earned by the Company during the relevant financial year after adjusting for accumulated losses & unabsorbed depreciation, if any and out of the carried forward profits not transferred to any reserves. However, under special circumstances, Dividend may be declared out of the accumulated profits earned by it in previous years and transferred by it to the free reserves, subject to compliance with the requirements of the relevant provisions of the Companies Act, 2013 including the Rules made thereunder.

## 6. CIRCUMSTANCES TO BE CONSIDERED WHILE DETERMINING DIVIDEND PAY-OUT

The Board shall consider the circumstances provided below before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the stakeholders and the business requirements of the Company.

- Accumulated Losses, if any

The profits earned by the Company during any financial year shall be first utilized to set off the accumulated losses/unabsorbed depreciation, if any of the Company from the previous financial years.

- Operating cash flow of the Company

The Board will consider the impact of proposed dividend on the operating cash flow of the Company and shall satisfy itself of its adequacy before taking a decision on whether to declare dividend or retain its profits.

• Transfer to Reserves and other Statutory Requirements
The Board shall examine the implication of relevant statutory requirements including payment of Dividend Distribution Tax, transfer of a certain portion of profits to Reserves etc., if applicable, on the financials of the Company at the time of taking decision with regard to dividend declaration or retention of profit.

• Covenants with lenders/ Debenture Trustees, if any
The decision of dividend pay-out shall also be subject to compliance with covenants contained in any agreement entered into by the Company with the Lenders/ Debenture Trustee's, from time to time, if any.

• Prudential & Strategic requirements
The Board shall analyse the ongoing and prospective projects and strategic decisions including need for replacement of capital assets, expansion and modernization etc., before recommending Dividend Pay-out for any financial year with an object to build a healthy reserve of retained earnings to augment long term strength and to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company.

• Expectations of major stakeholders, including small shareholders
The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits and/or out of the accumulated profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expect a regular dividend payout.

## 7. THE FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING/ RECOMMENDING DIVIDEND

In addition to the circumstances covered under point 6 above, the Board shall, inter alia, consider the following financial parameters, while taking decisions of a dividend payout during a particular year-

• Return on invested capital
The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

• Magnitude of earnings of the Company
Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

• Cost of borrowings
The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.

• Obligations to creditors
The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. The decision of dividend declaration shall be taken after considering the volume of such obligations and time period of repayment.

• Adequacy of profits
If during any financial year, the Board determines that the profits of the Company are inadequate on standalone basis and/or consolidated basis, the Board may decide not to declare dividends for that financial year.

• Post dividend Earning Per Share (EPS)
The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

## 8. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT

• Internal Factors

- Product/ Project expansion plan

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders expectation for the long run which shall have to considered by the Board before taking dividend decision.

- General Working capital requirement

In addition to the above, the general working capital requirements within the Company will also impact the decision of dividend declaration.

- Past performance/ reputation of the Company

The trend of the performance/ reputation of the Company that has been during the past years determine the expectation of the shareholders.

• External Factors

- Macroeconomic conditions

Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, during uncertain or recessionary economic and business conditions, the Board may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

- Capital Market

When the markets are favorable, dividend pay-out can be liberal. However, in case of unfavorable Capital market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

- Statutory Restrictions

The Board will keep in mind any restrictions on payment of dividends by virtue of any regulation or loan covenant, as may be applicable to the Company at the time of declaration of dividend.

- Tax implications

Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be

applicable at the time of declaration of dividend shall have bearing on the quantum of Dividend declared by the Company.

## 9. RANGE OF DIVIDEND PAY-OUT

The Company is committed to deliver sustainable value to all its stakeholders. The Company strives to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the equity shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board shall have absolute discretion to determine & recommend appropriate Dividend pay-out for the relevant financial year.

## 10. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better utilisation of the available funds and increase the value of the stakeholders in the long run. The retained earnings of the Company may, inter alia, be utilized for the following purposes:

- To meet the working capital/ business needs of the Company
- To fund the project expansion plans of the Company
- To fund the research expenditures of ongoing research projects specifically those in the advanced development stages
- Towards replacement/ up-gradation /modernization of equipment's & plants
- Towards investment in long term/ short term strategic joint ventures &/or partnerships and/or subsidiary companies
- To fund new acquisitions & investments
- Towards diversification of business
- Such other manner as the Board may deem fit from time to time

## 11. REVIEW AND AMENDMENT

The Board may review and amend or modify this policy in whole or in part, at any time.

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**ANNEXURE - B**

## MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended March 31, 2018
Pursuant to Section 92(3) of the Companies Act, 2013 and
Rule 12(1) of the Companies (Management and Administration) Rules, 2014

## I. REGISTRATION AND OTHER DETAILS:

| | | | |
|---|---|---|---|
| i) | CIN | : | L24230GJ1993PLC019050 |
| ii) | Registration date | : | March 01, 1993 |
| iii) | Name of the Company | : | Sun Pharmaceutical Industries Limited |
| iv) | Category/ Sub-category of the Company | : | Company Limited By Shares |
| v) | Address of the Registered Office and Contact details | : | SPARC, Tandalja, Vadodara 390012, Gujarat<br>Tel No: +91 0265 6615500 |
| vi) | Whether listed company | : | Yes |
| vii) | Name, Address, and Contact details of Registrar and Transfer Agent | : | Link Intime India Private Limited<br>C 101, 247 Park,<br>L.B.S. Marg, Vikhroli West,<br>Mumbai 400 083<br>Tel No: +91 22 49186270 |

## II PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

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

| Sr. No. | Name and Description of main products/services | NIC code of the Product/ Service | % to total turnover of the Company |
|---|---|---|---|
| 1 | Pharmaceuticals | 210 | 100 |

## III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES AS ON MARCH 31, 2018

| Sr. No. | Name of the Company | Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|---|
| 1 | 2 Independence Way LLC | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 2 | 3 Skyline LLC | USA | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 3 | Aditya Acquisition Company Limited | Israel | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 4 | Alkaloida Chemical Company Zrt. | Hungary | Not Applicable | Subsidiary | 99.99 | 2(87)(ii) |
| 5 | Alkaloida Sweden AB | Sweden | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 6 | AO Ranbaxy (Formerly known as ZAO Ranbaxy) | Russia | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 7 | Basics GmbH | Germany | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 8 | Be-Tabs Investments Proprietary Limited | South Africa | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 9 | Caraco Pharmaceuticals Private Limited | India | U24100MH2012FTC225970 | Subsidiary | 100.00 | 2(87)(ii) |
| 10 | Chattem Chemicals, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 11 | Dungan Mutual Associates, LLC | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 12 | DUSA Pharmaceuticals, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 13 | Faststone Mercantile Company Private Limited | India | U51900MH2006PTC159266 | Subsidiary | 100.00 | 2(87)(ii) |
| 14 | Foundation for Disease Elimination and Control of India | India | U85190MH2016NPL286097 | Subsidiary | 100.00 | 2(87)(ii) |
| 15 | Green Eco Development Centre Limited | India | U90009GJ2010PLC062892 | Subsidiary | 100.00 | 2(87)(ii) |
| 16 | Insite Vision Incorporated | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 17 | JSC Biosintez | Russia | Not Applicable | Subsidiary | 85.10 | 2(87)(ii) |
| 18 | Laboratorios Ranbaxy S.L.U. | Spain | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 19 | Morley & Company, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 20 | Mutual Pharmaceutical Company, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 21 | Neetnav Real Estate Private Limited | India | U45200MH2010PTC201611 | Subsidiary | 100.00 | 2(87)(ii) |
| 22 | Office Pharmaceutique Industriel Et Hospitalier | France | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 23 | Ohm Laboratories Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 24 | One Commerce Drive LLC | USA | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 25 | OOO "Sun Pharmaceutical Industries" Limited | Russia | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 26 | Pharmalucence, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 27 | PI Real Estate Ventures, LLC | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 28 | Ranbaxy South Africa Proprietary Limited | South Africa | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 29 | Ranbaxy (Malasiya) Sdn. Bhd. | Malasiya | Not Applicable | Subsidiary | 90.74 | 2(87)(ii) |
| 30 | Ranbaxy (Poland) SP. Z.O.O. | Poland | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 31 | Ranbaxy (Thailand) Co. Ltd. | Thailand | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 32 | Ranbaxy (U.K.) Limited | UK | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 33 | Ranbaxy Europe Limited | UK | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 34 | Ranbaxy Farmaceutica Ltda. | Brazil | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 35 | Ranbaxy GmbH | Germany | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 36 | Ranbaxy Holdings (UK) Limited | UK | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 37 | Ranbaxy Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 38 | Ranbaxy Ireland Limited | Ireland | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 39 | Ranbaxy Italia S.P.A. | Italy | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 40 | Ranbaxy Nigeria Limited | Nigeria | Not Applicable | Subsidiary | 85.31 | 2(87)(ii) |
| 41 | Ranbaxy Pharmaceuticals (Pty) Ltd. | South Africa | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 42 | Ranbaxy Pharmaceuticals Canada Inc. | Canada | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 43 | Ranbaxy Pharmaceuticals Ukraine LLC | Ukrain | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 44 | Ranbaxy Pharmacie Generiques | France | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 45 | Ranbaxy Signature LLC | USA | Not Applicable | Subsidiary | 67.50 | 2(87)(ii) |
| 46 | Realstone Multitrade Private Limited | India | U51900MH2006PTC158889 | Subsidiary | 100.00 | 2(87)(ii) |
| 47 | Rexcel Egypt LLC | Egypt | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 48 | S. C Terapia S.A. | Romania | Not Applicable | Subsidiary | 96.81 | 2(87)(ii) |
| 49 | Skisen Labs Private Limited | India | U73100MH2005PTC150606 | Subsidiary | 100.00 | 2(87)(ii) |
| 50 | Softdeal Trading Company Private Limited | India | U51900MH2006PTC159237 | Subsidiary | 100.00 | 2(87)(ii) |
| 51 | Sonke Pharmaceuticals Pty Limited | South Africa | Not Applicable | Subsidiary | 70.00 | 2(87)(ii) |
| 52 | SPIL De Mexico S.A. DE C.V. | Mexico | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 53 | Sun Farmaceutica do Brasil Ltda. | Brazil | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 54 | Sun Global Canada Pty. Ltd. | Canada | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 55 | Sun Global Development (FZE) | UAE | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 56 | Sun Laboratories (FZE) | UAE | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |

| Sr. No. | Name of the Company | Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|---|
| 57 | Sun Pharma Laboratories Limited | India | U25200MH1997PLC240268 | Subsidiary | 100.00 | 2(87)(ii) |
| 58 | Sun Pharma (Netherlands) B.V. [Formerly known as Ranbaxy (Netherlands) B.V.] | Netherlands | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 59 | Sun Pharma ANZ Pty Ltd (Formerly known as Ranbaxy Australia Pty Limited) | Australia | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 60 | Sun Pharma DE Mexico S.A. DE C.V. | Mexico | Not Applicable | Subsidiary | 75.00 | 2(87)(ii) |
| 61 | Sun Pharma DE Venezuela, C.A. | Venezuela | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 62 | Sun Pharma East Africa Limited | Kenya | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 63 | Sun Pharma Egypt Limited (Formerly known as Ranbaxy Egypt Limited) | Egypt | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 64 | Sun Pharma Global (FZE) | UAE | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 65 | Sun Pharma Healthcare (FZE) | UAE | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 66 | Sun Pharma Holdings | Mauritius | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 67 | Sun Pharma Japan Ltd. | Japan | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 68 | Sun Pharma Philippines, Inc. | Philippines | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 69 | Sun Pharma Switzerland Ltd. | Switzerland | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 70 | Sun Pharmaceutical Industries, Inc. | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 71 | Sun Pharmaceutical (Bangladesh) Limited | Bangladesh | Not Applicable | Subsidiary | 72.50 | 2(87)(ii) |
| 72 | Sun Pharmaceutical Industries (Australia) Pty Ltd. | Australia | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 73 | Sun Pharmaceutical Industries (Europe) B.V. | Netherlands | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 74 | Sun Pharmaceutical Industries S.A.C. [Formerly known as Ranbaxy-PRP (Peru) S.A.C.] | Peru | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 75 | Sun Pharmaceutical Medicare Limited | India | U36900GJ2017PLC095132 | Subsidiary | 100.00 | 2(87)(ii) |
| 76 | Sun Pharmaceutical Peru S.A.C. | Peru | Not Applicable | Subsidiary | 99.33 | 2(87)(ii) |
| 77 | Sun Pharmaceuticals Holdings USA, Inc | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 78 | Sun Pharmaceuticals (SA) (Pty) Ltd. | South Africa | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 79 | Sun Pharmaceuticals France | France | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 80 | Sun Pharmaceuticals Germany GmbH | Germany | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 81 | Sun Pharmaceuticals Italia S.R.L. | Italy | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 82 | Sun Pharmaceuticals Korea Ltd. | South Korea | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 83 | Sun Pharmaceuticals Morocco LLC (Formerly known as Ranbaxy Morrocco LLC) | Morocco | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 84 | Sun Pharmaceuticals UK Limited | UK | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 85 | Taro International Limited | Israel | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 86 | Taro Pharmaceutical Industries Ltd. | Israel | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 87 | Taro Pharmaceutical Laboratories Inc. | USA | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 88 | Taro Pharmaceuticals (UK) Limited | UK | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 89 | Taro Pharmaceuticals Canada Ltd. | Canada | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 90 | Taro Pharmaceuticals Europe B.V. | Netherlands | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 91 | Taro Pharmaceuticals Inc. | Canada | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 92 | Taro Pharmaceuticals Ireland Limited | Ireland | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 93 | Taro Pharmaceuticals North America, Inc. | Cayman Islands, British West Indies | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 94 | Taro Pharmaceuticals U.S.A., Inc. | USA | Not Applicable | Subsidiary | 74.82 | 2(87)(ii) |
| 95 | The Taro Development Corporation | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 96 | Universal Enterprises Private Limited | India | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 97 | URL PharmPro, LLC | USA | Not Applicable | Subsidiary | 100.00 | 2(87)(ii) |
| 98 | Zenotech Farmaceutica Do Brasil Ltda | Brazil | Not Applicable | Subsidiary | 38.21 | 2(87)(ii) |
| 99 | Zenotech Inc | USA | Not Applicable | Subsidiary | 57.56 | 2(87)(ii) |
| 100 | Zenotech Laboratories Limited | India | L27100AP1989PLC010122 | Subsidiary | 57.56 | 2(87)(ii) |
| 101 | Zenotech Laboratories Nigeria Limited | Nigeria | Not Applicable | Subsidiary | 57.50 | 2(87)(ii) |
| 102 | ALPS LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 103 | Artes Biotechnology GmbH | Germany | Not Applicable | Associate | 45.00 | 2(6) |
| 104 | Composite Power Generation LLP | India | Not Applicable | Associate | 36.90 | 2(6) |
| 105 | Dr. PY Institute LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 106 | Generic Solar Power LLP | India | Not Applicable | Associate | 28.76 | 2(6) |
| 107 | HRE II LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 108 | HRE III LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |

| Sr. No. | Name of the Company | Address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|---|
| 109 | HRE LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 110 | Intact Pharmaceuticals LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 111 | Intact Skin Care LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 112 | Medinstill Development LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 113 | Medinstill LLC | USA | Not Applicable | Associate | 19.99 | 2(6) |
| 114 | scPharmaceuticals Inc. | USA | Not Applicable | Associate | 11.69 | 2(6) |
| 115 | Trumpcard Advisors and Finvest LLP | India | Not Applicable | Associate | 40.61 | 2(6) |
| 116 | Vento Power Generation LLP | India | Not Applicable | Associate | 40.55 | 2(6) |
| 117 | Vintage Power Generation LLP | India | Not Applicable | Associate | 39.41 | 2(6) |

## IV SHARE HOLDING PATTERN (EQUITY SHARE BREAKUP AS PERCENTAGE OF TOTAL EQUITY AS ON MARCH 31, 2018)

### i) Category-wise shareholding

| Category of Shareholders | | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A | Promoter* | | | | | | | | | |
| 1) | Indian | | | | | | | | | |
| a) | Individual/HUF | 293200513 | 0 | 293200513 | 12.22 | 293200513 | 0 | 293200513 | 12.22 | 0.00 |
| b) | Central Government/ State Government | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) | Bodies Corporate | 1010366094 | 12000 | 1010378094 | 42.11 | 1010366094 | 12000 | 1010378094 | 42.11 | 0.00 |
| d) | Financial Institutions/ Bank | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) | Any other (Trusts) | 1276774 | 0 | 1276774 | 0.05 | 1276774 | 0 | 1276774 | 0.05 | 0.00 |
| **Sub total (A)(1)** | | **1304843381** | **12000** | **1304855381** | **54.38** | **1304843381** | **12000** | **1304855381** | **54.38** | **0.00** |
| 2) | Foreign | | | | | | | | | |
| a) | Individuals (NRIs) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) | Other Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) | Bodies Corporate | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) | Financial Institutions/ Bank | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) | Any other | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| **Sub total (A)(2)** | | **0** | **0** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0.00** |
| **Total shareholding of Promoter* (A)=(A)(1)+(A)(2)** | | **1304843381** | **12000** | **1304855381** | **54.38** | **1304843381** | **12000** | **1304855381** | **54.38** | **0.00** |
| B | Public Shareholding | | | | | | | | | |
| 1) | Institutions | | | | | | | | | |
| a) | Mutual Funds | 126058474 | 2500782 | 128559256 | 5.36 | 192509489 | 2500782 | 195010271 | 8.13 | 2.77 |
| b) | Financial Institutions/ Bank | 124323024 | 4218 | 124327242 | 5.18 | 22412015 | 3798 | 22415813 | 0.93 | -4.25 |
| c) | Central Government/ State Government | 380 | 0 | 380 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) | Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) | Insurance Companies | 37905019 | 0 | 37905019 | 1.58 | 168094940 | 0 | 168094940 | 7.01 | 5.43 |
| f) | FIIs | 59779090 | 17943 | 59797033 | 2.49 | 3788557 | 17943 | 3806500 | 0.16 | -2.33 |
| g) | Foreign Venture Capital | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| h) | Qualified Foreign Investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| i) | Any other (specify) | | | | | | | | | |
| | Foreign Portfolio Investor (Corporate) | 450853540 | 0 | 450853540 | 18.79 | 387782873 | 0 | 387782873 | 16.16 | -2.63 |
| | Foreign Bank | 1504 | 23918 | 25422 | 0.00 | 1504 | 23918 | 25422 | 0.00 | 0.00 |
| | UTI | 1994922 | 1880 | 1996802 | 0.08 | 2235590 | 1380 | 2236970 | 0.09 | 0.01 |
| | Alternate Investment Funds | 0 | 0 | 0 | 0.00 | 1546565 | 0 | 1546565 | 0.06 | 0.06 |
| **Sub total (B)(1)** | | **800915953** | **2548741** | **803464694** | **33.49** | **778371533** | **2547821** | **780919354** | **32.55** | **-0.94** |
| 2) | Non- Institutions | | | | | | | | | |
| a) | Bodies Corporate | | | | | | | | | |
| i) | Indian | 90895027 | 184797 | 91079824 | 3.80 | 102919063 | 153917 | 103072980 | 4.30 | 0.50 |
| ii) | Overseas | 59440 | 0 | 59440 | 0.00 | 46000 | 0 | 46000 | 0.00 | 0.00 |
| b) | Individuals | | | | | | | | | |
| i) | Individual shareholders holding nominal share capital upto ₹ 1 lakh | 128188202 | 11018588 | 139206790 | 5.80 | 138287020 | 9952424 | 148239444 | 6.18 | 0.38 |
| ii) | Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 29741926 | 125000 | 29866926 | 1.24 | 27181865 | 125000 | 27306865 | 1.14 | -0.11 |
| c) | Qualified Foreign Investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) | Others (specify) | | | | | | | | | |

| Category of Shareholders | | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| i) | Non Resident Indians(Repat) | 4019379 | 375280 | 4394659 | 0.18 | 4545204 | 331885 | 4877089 | 0.20 | 0.02 |
| ii) | Non Resident Indians (Non-Repat) | 2281621 | 0 | 2281621 | 0.10 | 2565549 | 0 | 2565549 | 0.11 | 0.01 |
| iii) | Foreign Companies | 813562 | 0 | 813562 | 0.03 | 671865 | 0 | 671865 | 0.03 | -0.01 |
| iv) | Clearing Member | 1770770 | 0 | 1770770 | 0.07 | 2695586 | 0 | 2695586 | 0.11 | 0.04 |
| v) | Other Directors | 3784017 | 0 | 3784017 | 0.16 | 3783394 | 0 | 3783394 | 0.16 | 0.00 |
| vi) | Trusts | 13847725 | 0 | 13847725 | 0.58 | 15374984 | 0 | 15374984 | 0.64 | 0.06 |
| vii) | Foreign Nationals | 23000 | 0 | 23000 | 0.00 | 21040 | 0 | 21040 | 0.00 | 0.00 |
| viii) | Hindu Undivided Family | 3812406 | 0 | 3812406 | 0.16 | 4424397 | 0 | 4424397 | 0.18 | 0.03 |
| ix) | IEPF | 0 | 0 | 0 | 0 | 469252 | 0 | 469252 | 0.02 | 0.02 |
| **Sub total (B)(2)** | | **279237075** | **11703665** | **290940740** | **12.13** | **302985219** | **10563226** | **313548445** | **13.07** | **0.94** |
| **Total Public shareholding Public Group (B)=(B)(1)+(B)(2)** | | **1080153028** | **14252406** | **1094405434** | **45.62** | **1081356752** | **13111047** | **1094467799** | **45.62** | **0.00** |
| C | Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| | Employee Benefit Trust under SEBI (Share based employee benefit) Regulations, 2014 | 30366 | 0 | 30366 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| **GRAND TOTAL (A)+(B)+(C)** | | **2385026775** | **14264406** | **2399291181** | **100.00** | **2386200133** | **13123047** | **2399323180** | **100.00** | **0.00** |

* includes Promoter Group

## ii) Shareholding of Promoter as on March 31, 2018

| Sr. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Share holding at the end of the year | | | % change in share holding during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the company | %of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | %of Shares Pledged / encumbered to total shares | |
| 1 | Dilip S. Shanghvi | 230285690 | 9.60 | 0 | 230285690 | 9.60 | 0 | 0.0 |

## iii) Change in Promoter's Shareholding ( please specify, if there is no change)

| Sr. No. | | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total Shares of the Company | No. of shares | % of total Shares of the Company |
| 1. | Dilip S. Shanghvi | At the beginning of the year | 230285690 | 9.60 | 230285690 | 9.60 |
| | | Increase / Decrease in Share holding during the year | No Change during the year | | 230285690 | 9.60 |
| | | At the end of the year | 230285690 | 9.60 | 230285690 | 9.60 |

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

| Sr. No. | For Each of the top 10 shareholders | | Shareholding | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total Shares of the Company | No. of shares | % of total Shares of the Company |
| 1. | Viditi Investment Private Limited | At the beginning of the year | 200846362 | 8.37 | 200846362 | 8.37 |
| | | At the end of the year | 200846362 | 8.37 | 200846362 | 8.37 |
| 2. | Tejaskiran Pharmachem Industries Private Limited | At the beginning of the year | 194820971 | 8.12 | 194820971 | 8.12 |
| | | At the end of the year | 194820971 | 8.12 | 194820971 | 8.12 |
| 3. | Family Investment Private Limited | At the beginning of the year | 182437880 | 7.60 | 182437880 | 7.60 |
| | | At the end of the year | 182437880 | 7.60 | 182437880 | 7.60 |
| 4. | Quality Investments Pvt. Ltd. | At the beginning of the year | 182379237 | 7.60 | 182379237 | 7.60 |
| | | At the end of the year | 182379237 | 7.60 | 182379237 | 7.60 |
| 5. | Life Insurance Corporation of India Increase / Decrease in Share holding | At the beginning of the year | 106329652 | 4.43 | 106329652 | 4.43 |
| | | Various dates during the year* | 38973225 | 1.63 | 145302877 | 6.06 |
| | | At the end of the year | 145302877 | 6.06 | 145302877 | 6.06 |
| 6. | Virtuous Finance Private Limited | At the beginning of the year | 96851821 | 4.04 | 96851821 | 4.04 |
| | | At the end of the year | 96851821 | 4.04 | 96851821 | 4.04 |

| Sr. No. | For Each of the top 10 shareholders | | Shareholding | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total Shares of the Company | No. of shares | % of total Shares of the Company |
| 7. | Virtuous Share Investments Private Limited | At the beginning of the year | 83751259 | 3.49 | 83751259 | 3.49 |
| | | At the end of the year | 83751259 | 3.49 | 83751259 | 3.49 |
| 8. | ICICI Prudential Value Discovery Fund and various Fund Accounts | At the beginning of the year | 35254424 | 1.47 | 35254424 | 1.47 |
| | Increase / Decrease in Share holding | Various dates during the year* | 36752352 | 1.53 | 72006776 | 3.00 |
| | | At the end of the year | 72006776 | 3.00 | 72006776 | 3.00 |
| 9. | Aditya Medisales Limited | At the beginning of the year | 40153960 | 1.67 | 40153960 | 1.67 |
| | | At the end of the year | 40153960 | 1.67 | 40153960 | 1.67 |
| 10. | Lakshdeep Investments & Finance (P) Ltd. | At the beginning of the year | 34754907 | 1.45 | 34754907 | 1.45 |
| | Increase / Decrease in Share holding | Various dates during the year* | 370000 | 0.01 | 35124907 | 1.46 |
| | | At the end of the year | 35124907 | 1.46 | 35124907 | 1.46 |

*The trading has taken place on various dates, therefore the change has been shown on consolidated basis.
Note: Shareholding has been consolidated on PAN basis.

## v) Shareholding of Directors and Key Managerial Personnel: (Held singly or jointly as first holder)

| Sr. no | Name of Director / KMP | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total Shares of the Company | No. of shares | % of total Shares of the Company |
| 1. | Israel Makov | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 2. | Dilip S. Shanghvi | At the beginning of the year | 230285690 | 9.60 | 230285690 | 9.60 |
| | | At the end of the year | 230285690 | 9.60 | 230285690 | 9.60 |
| 3. | Sudhir V. Valia | At the beginning of the year | 14345019 | 0.60 | 14345019 | 0.60 |
| | | At the end of the year | 14345019 | 0.60 | 14345019 | 0.60 |
| 4. | Sailesh T. Desai | At the beginning of the year@ | 3740747 | 0.16 | 3740747 | 0.16 |
| | | At the end of the year@ | 3740747 | 0.16 | 3740747 | 0.16 |
| 5. | Kalyanasundaram Subramanian | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 6. | S. Mohanchand Dadha | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 7. | Hasmukh S. Shah* | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | As on November 15, 2017 | 0 | 0 | 0 | 0 |
| 8. | Keki M. Mistry | At the beginning of the year | 43270 | 0.00 | 43270 | 0.00 |
| | | At the end of the year | 43270 | 0.00 | 43270 | 0.00 |
| 9. | Ashwin S. Dani | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 10. | Rekha Sethi | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 11. | Vivek Chaand Sehgal** | As on November 14, 2017 | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 12. | Uday Baldota# | At the beginning of the year | 22700 | 0.00 | 22700 | 0.00 |
| | | As on June 19, 2017 | 22700 | 0.00 | 22700 | 0.00 |
| 13. | CS Muralidharan## | As on June 19, 2017 | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |
| 14. | Sunil Ajmera | At the beginning of the year | 0 | 0 | 0 | 0 |
| | | At the end of the year | 0 | 0 | 0 | 0 |

Mr. Gautam Doshi has been appointed as Additional Independent Director w.e.f. May 25, 2018, and he holds 8000 shares as on the date of this Report.
* Was Director upto November 15, 2017
** Appointed as Additional Independent Director w.e.f. November 14, 2017
# Was Chief Financial Officer upto June 19, 2017
## Appointed as Chief Financial Officer w.e.f. June 19, 2017
@ includes shares transferred as margin, if any

## V) INDEBTEDNESS

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

(₹ in Million)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits[1] | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 306.3 | 60,159.8 | 135.3 | 60,601.4 |
| ii) Interest due but not paid | 0.0 | 0.0 | 0.0 | 0.0 |
| iii) Interest accrued but not due[2] | 6.8 | 63.1 | 0.0 | 69.9 |
| **Total (i+ii+iii)** | **313.2** | **60,222.9** | **135.3** | **60,671.4** |
| Change in Indebtedness during the financial year | | | | |
| Addition: Principal Amount[3] | 0.0 | 146,551.3 | 0.0 | 146,551.3 |
| Reduction: Principal Amount[3]/[4] | 198.1 | 137,979.2 | 17.0 | 138,194.3 |
| Change: Addition / (Reduction) in Interest accrued but not Due[2] | 2.3 | (23.1) | 0.0 | (20.8) |
| **Net Change** | **(195.9)** | **8,549.0** | **(17.0)** | **8,336.1** |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 108.2 | 68,731.9 | 118.3 | 68,958.4 |
| ii) Interest due but not paid | 0.0 | 0.0 | 0.0 | 0.0 |
| iii) Interest accrued but not due[2] | 9.1 | 40.0 | 0.0 | 49.1 |
| **Total (i+ii+iii)** | **117.3** | **68,771.9** | **118.3** | **69,007.5** |

Notes:
(1) Deposits are Security Deposits Received. The change during the year has been shown on net basis.
(2) Interest accrued but not due on borrowings.
(3) Change in the CC & OD limit under Working Capital Facility forming part of Secured & Unsecured loans, have been shown on net basis.
(4) Ind AS adjustment in the outstanding as on 31st March, 2018 of External Commercial Paper & Commercial papers are shown as reduction in principal amount.

## VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A) Remuneration to Managing Director, Whole-time Directors and/or Manager for the year ended March 31, 2018 (As per Form 16, on actual payment basis)

(Amount in ₹)

| Sr. No. | Particulars of Remuneration | Mr. Dilip S. Shanghvi | Mr. Sudhir V. Valia | Mr. Sailesh T. Desai | Total |
|---|---|---|---|---|---|
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 | 29753675 | 29753675 | 11855400 | 71362750 |
| | (b) Value of perquisites u/s 17(2) of the Income tax Act, 1961 | 333630 | 189990 | 427654 | 951274 |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | - | - | - | - |
| 2 | Stock Option | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - |
| 4 | Commission as a % of profit | - | - | - | - |
| 5 | Others, please specify | - | - | - | - |
| | **Total (A)[1]** | **30087305** | **29943665** | **12283054[1]** | **72314024** |

**Ceiling as per the Act:** ₹ 3.04 Crores, computed as per Part-A of Section II of Schedule V of the Act, in view of absence of profits for the FY 2017-18.

Mr. Dilip S. Shanghvi, Managing Director and Mr. Sudhir V. Valia, Whole-time Director are entitled to a remuneration of ₹ 3.93 crores (excluding Perquisites such as reimbursement of electricity charges, motor vehicle charges, etc. which shall be taken at actuals) each for the FY 2017-18 as approved by the Board of Directors. However in view of absence of profits for the year under review, the Company has paid remuneration to the aforesaid Directors for the FY 2017-18 upto the ceiling limits as computed under Schedule V of the Act. Further, the Company has made an application to the Central Government for approval of payment of remuneration to Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia for the FY 2017-18 as per their entitlement as aforesaid, the approval of which is awaited.

(1) Remuneration includes Bonus of 2016-17 paid in 2017-18

## B) Remuneration to other directors for the year ended March 31, 2018:

(The remuneration to Non-Executive Directors consists only of sitting fees)

(Amount in ₹)

| Sr. no. | Particulars of Remuneration | Name of Directors | | | | | | | Total Amount |
|---|---|---|---|---|---|---|---|---|---|
| | | Mr. S Mohanchand Dadha | Mr. Hasmukh Shah* | Mr. Keki Mistry | Mr. Ashwin Dani | Ms. Rekha Sethi | Mr. Vivek Chaand Sehgal# | Mr. Israel Makov | |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (1) to (7) |
| 1 | **Independent Directors** | | | | | | | | |
| | • Fee for attending Board/ Committee meetings | 1600000 | 1700000 | 800000 | 700000 | 1300000 | 300000 | - | 6400000 |
| | • Commission | - | - | - | - | - | - | - | - |
| | • Others, please specify | - | - | - | - | - | - | - | - |
| | **Total (1)** | **1600000** | **1700000** | **800000** | **700000** | **1300000** | **300000** | **0** | **6400000** |
| 2 | **Other Non-Executive Directors** | | | | | | | | |
| | • Fee for attending Board/ Committee meetings | - | - | - | - | - | - | 900000 | 900000 |
| | • Commission | - | - | - | - | - | - | - | - |
| | • Others, please specify | - | - | - | - | - | - | - | - |
| | **Total (2)** | **0** | **0** | **0** | **0** | **0** | **0** | **900000** | **900000** |
| | **Total (B)=(1+2)** | **1600000** | **1700000** | **800000** | **700000** | **1300000** | **300000** | **900000** | **7300000** |
| | Overall Ceiling as per the Act | Not applicable since no commission was paid during the year. Sitting Fee is ₹ 1,00,000 for each meeting of the Board /Committee attended by the Director. | | | | | | | |
| | **Total Managerial Remuneration (A+B)** | | | | | | | | **79614024** |

* For part of the year i.e. from April 01, 2017 to November 15, 2017
\# For part of the year i.e. from November 14, 2017 to March 31, 2018

## C) Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(As per Form 16, on actual payment basis)

(₹ in Million)

| Sr. no. | Particulars of Remuneration | Key Managerial Personnel | | | Total |
|---|---|---|---|---|---|
| | | Mr. Sunil Ajmera (Company Secretary) | Mr. Uday Baldota (CFO upto June 19, 2017) | Mr. CS Muralidharan (CFO w.e.f. June 19, 2017) | |
| 1 | Gross salary | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 13.38 | 14.62 | 22.21 | 50.20 |
| | (b) Value of perquisites under section 17(2) of the Income Tax Act, 1961 | 0.03 | 0.34 | 0.62 | 1.00 |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | 0 | 0 | 0 | 0 |
| 2 | Stock Option | 0 | 0 | 0 | 0 |
| 3 | Sweat Equity | 0 | 0 | 0 | 0 |
| 4 | Commission as % of profit | 0 | 0 | 0 | 0 |
| 5 | Others, please specify | 0 | 0 | 0 | 0 |
| | **Total** | **13.41** | **14.96** | **22.83** | **51.20** |

## VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES AGAINST COMPANY, DIRECTORS AND OTHER OFFICERS IN DEFAULT: NIL

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 25, 2018

Israel Makov
Chairman

ANNEXURE - C

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

### (i) Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2017-18 and the percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2017-18:

| Name of Director and Key Managerial Personnel | Designation | Ratio of remuneration[1] of each Director to median remuneration of employees | % increase / (decrease) in Remuneration[1] in the Financial Year 2017-18 |
|---|---|---|---|
| Directors: | | | |
| Mr. Israel Makov | Non-executive Chairman | 1.97 | -10.0% |
| Mr. Dilip S. Shanghvi | Managing Director | Refer Note | Refer Note |
| Mr. Sudhir V. Valia | Whole-time Director | Refer Note | Refer Note |
| Mr. Sailesh T. Desai | Whole-time Director | 28.86 | 5.6%[2] |
| Mr. Kalyanasundaram Subramanian[3] | Whole-time Director | Not Applicable | Not Applicable |
| Mr. S. Mohanchand Dadha | Non-executive Independent Director | 3.50 | -5.9% |
| Mr. Hasmukh S. Shah* | Non-executive Independent Director | 3.72 | 0.0% |
| Mr. Keki M. Mistry | Non-executive Independent Director | 1.75 | -50.0% |
| Mr. Ashwin S. Dani | Non-executive Independent Director | 1.53 | -30.0% |
| Ms. Rekha Sethi | Non-executive Independent Director | 2.84 | 0.0% |
| Mr. Vivek Chaand Sehgal** | Non-executive Independent Director | 0.66 | Not Applicable |
| Key Managerial Personnel: | | | |
| Mr. Uday Baldota# | Chief Financial Officer# | Not Applicable | Not Applicable |
| Mr. C.S. Muralidharan## | Chief Financial Officer## | Not Applicable | Not Applicable |
| Mr. Sunil Ajmera | Company Secretary | Not Applicable | 14.1 |

* Resigned w.e.f. November 15, 2017
**Appointed w.e.f. November 14, 2017
#Resigned w.e.f. June 19, 2017
##Appointed w.e.f. June 19, 2017

[1]Remuneration to Non-Executive Directors consists only of sitting fees and is based on the number of meetings attended during the year. No commission was paid to Non-Executive Directors for the year 2017-18.

[2]The increase in percentage of remuneration as per Form 16 is due to Bonus of previous year paid in the current year and due to increase in the notional value of perquisite as per Income Tax Act, however there was no increase in his total remuneration payable for the year 2017-18.

[3]Mr. Kalyanasundaram Subramanian, Whole-time Director of the Company, does not receive any remuneration from the Company, however he is receiving remuneration from Sun Pharma Laboratories Limited (SPLL), the wholly owned subsidiary of the Company, where he is also Whole-time Director and Chief Executive Officer.

Note: There was no increase in the total remuneration entitled to the Managing Director and Whole-time Directors, for the financial year 2017-18 as compared to previous financial year 2016-17. However during the year, the Company received an Order from Ministry of Corporate Affairs (MCA) for approval of remuneration of ₹ 2,02,29,000 each to Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia for the Financial Year 2016-17 and balance remuneration amounts of ₹ 91,47,601 and ₹ 89,27,010 were refunded by Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia respectively, to the Company. The remuneration, net of refund, for the financial year 2016-17 and the remuneration actually paid (in accordance with Schedule V to the Companies Act, 2013) in the financial year 2017-18 to Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia have been compared to arrive at the percentage increase and ratio of remuneration to median remuneration of employees for the financial year 2017-18.

Thus, the percentage increase in the remuneration paid for financial year 2017-18 is due to refund order of the Ministry of Corporate Affairs (MCA) for the remuneration pertaining to financial year 2016-17, as detailed below:

(₹ In Million)

| Name of Director | Remuneration as per Form 16 for 2016-17 after refund as per MCA Order | Remuneration paid as per Form 16 for 2017-18 (including perquisites) | Ratio of remuneration of each Director to median remuneration of employees | % increase / (decrease) in Remuneration in the Financial Year 2017-18 |
|---|---|---|---|---|
| Dilip S. Shanghvi | 20.23 | 30.09 | 65.80* | 48.7%* |
| Sudhir V. Valia | 20.23 | 29.94 | 65.48* | 48.0%* |

*The Company has made an application to the Central Government for approval of remuneration of Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia as per their entitlement of ₹ 39.3 million each for the financial year 2017-18 as approved by the Board of Directors within the limits approved by the Members of the Company. However, in view of the aforesaid approval for application of remuneration being awaited, the Company has paid remuneration within the ceiling limit prescribed under Schedule V to the Companies Act, 2013 i.e. upto ₹ 30.4 million each, to Mr. Dilip S. Shanghvi and Mr. Sudhir V. Valia. On receipt of the approval from the Central Government of India, the balance amount of remuneration for the year 2017-18, if any, as per their entitlement, shall be paid to them, as applicable, and the same shall be given effect to in the year in which the approval is received. Excess remuneration, if any, after final approval in respect of the application for revision is received, shall be refunded by them. The percentage and ratios may further increase or decrease depending on the Order being passed by the MCA / Central Government. In case the approval from MCA is received for the amount of remuneration entitled of ₹ 39.3 million each to Mr. Dilip S Shanghvi and Mr. Sudhir V. Valia for the year 2017-18, then the ratio and the percentage increase in remuneration will be 85.93 and 94.2% respectively. In case the approval is received for lesser amount, then the ratio and the percentage will change accordingly.

ii) The percentage increase in the median remuneration of employees in the financial year 2017-18 (Median -2018/Median 2017) : 5.20%

(iii) The number of permanent employees on the rolls of the Company as on March 31, 2018: 17789

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

Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year ending March 31, 2018 was approximately 11.5% and the average increase in the Key Managerial Personnel remuneration was 33.18%. As explained above the increase in percentage of KMP's is due to refund of remuneration of Managing Director and Whole-time Director in during the year, as per the MCA order. The remuneration of Key Managerial Personnel has been decided in line with our overall reward philosophy of paying for performance (individual as well as Company performance) and ensuring market competitiveness.

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

*(All the details of remuneration given above are as per Form 16 as per Income Tax Act, and the ratios are calculated on that basis.)*

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 25, 2018

**Israel Makov**
Chairman

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## ANNEXURE - D

## FORM NO. MR-3
## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2018.
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Sun Pharmaceutical Industries Limited,
Vadodara, Gujarat.

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

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March 2018**, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2018, according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India ("SEBI") Act, 1992:

   a. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

   b. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   d. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 – **Not applicable to the Company for the year under review;**

e. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 – **Not applicable to the Company for the year under review;**

f. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable to the Company for the year under review;**

g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client – **Not applicable to the Company**;

h. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

i. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - **Not applicable to the Company for the year under review;**

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

(i) Secretarial Standards with respect to meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India under the provisions of Companies Act, 2013;

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

We report that, the Company has received the order from Central Government in respect of the re-representation / application for revision of remuneration made to the Central Government, as approved by the members of the Company for the years ended 31st March 2015, 31st March 2016 and 31st March 2017; to refund the excess remuneration paid to the Managing Director and Whole-time Directors which had been paid earlier subject to the approval of the Central Government. We have been informed by the management that, in compliance with the said order, the Managing Director and Whole-time Directors have refunded total excess remuneration of ₹ 104.52 Million to the Company for the aforesaid financial years.

We further report that the Company has made application to the Central Government for approval of remuneration of Managing Director and a Whole-time Director as approved by the Board of Directors of the Company for FY 2017-18. The response from Central Government in respect of the aforesaid application is awaited. Further, the Company has paid the remuneration for FY 2017-18 to Managing Director and Whole-time Directors of the Company within the limits of Schedule V of the Companies Act, 2013 with a provision of balance payment/refund of remuneration, if any to/from Managing Director and a Whole-time Director as may be approved by Central Government with regard to aforesaid application.

We further report that:

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director.

2. Adequate notice of at least seven days was given to all directors to schedule the Board Meetings and Meetings of Committees. Agenda and detailed notes on agenda were sent in advance in adequate time before the meetings and a system exists for Directors for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

3. On verification of minutes, we have not found any dissent/ disagreement on any of the agenda items discussed in the Board and Committee meetings from any of the Directors and all the decisions are carried through.

Based on the information received and records maintained, we further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on the basis of the representations made by the respective plant heads of R&D centers, the Company has identified and complied with the following laws applicable to the Company:

- Drugs and Cosmetics Act, 1940 and rules made thereunder;
- Factories Act, 1948.

We further report that during the year under review:

- The Company had allotted 18,893 Equity Shares of ₹ 1/- each to eligible employees who have exercised their options under Sun Employees Stock Options Scheme – 2015;
- The Company had allotted 13,106 Equity Shares of ₹ 1/- each to Sun Pharma ESOP Trust under Sun Employees Stock Option Plan – 2015;
- Sun Pharma Medisales Private Limited, Ranbaxy Drugs Limited, Gufic Pharma Limited and Vidyut Investments Limited, subsidiary companies of the Company were amalgamated into Company under Section 391 to 394 of the Companies Act, 1956 and applicable provisions of the Companies Act, 2013 on 8th September 2017 (Effective date), the appointed date for the said Scheme of Arrangement being 1st April 2017.

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

**Chintan J. Goswami**
Proprietor
Mem No. - 33697
C. P. No. - 12721
Date: 25th May 2018.
Place: Mumbai.

This report is to be read with our letter of even date which is annexed as **Annexure 1** and forms an integral part of this report.

## ANNEXURE - 1 TO SECRETARIAL AUDIT REPORT

To,
The Members,
Sun Pharmaceutical Industries Limited,
Vadodara, Gujarat.

Our report of even date is to be read along with this letter.

1. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
2. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
3. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
4. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

**Chintan J. Goswami**
Proprietor
Mem No. - 33697
C. P. No. - 12721
Date: 25th May 2018.
Place: Mumbai.

## ANNEXURE - E

### AOC - 2

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act, 2013 ("the Act") and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis - NIL**
2. **Details of material contracts or arrangement or transactions (i.e. exceeding ten percent of the annual consolidated turnover as per the last audited financial statements) at arm's length basis**

| Sr. No. | Name(s) of the related party and nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts/ arrangements/ transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Date(s) of approval by the Board, if any: | Amount paid as advances, as on March 31, 2018 if any: |
|---|---|---|---|---|---|---|
| 1. | Sun Pharma Laboratories Limited (Wholly owned subsidiary) | Purchase of goods, property and plant & equipment, Sale of goods, property, plant & equipment and investments, Dividend Income, Receiving and Rendering of Service, Reimbursement of expenses paid and expenses received, Loan taken and repaid, Interest expense and Rent income | On-going | The related party transactions entered during the year were in ordinary course of business and on an arm's length basis. The aggregate amount of transactions for the financial year 2017-18 was ₹ 74,666.4 million | Since these transactions are in the ordinary course of business and are at arm's length basis, approval of the Board is not applicable. | Nil |

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 25, 2018

Israel Makov
Chairman

## ANNEXURE - F

# ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2017-18

| Details | | Particulars |
|---|---|---|
| 1. | A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken | The CSR policy of the Company encompasses its philosophy towards Corporate Social Responsibility and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.<br><br>The Company has identified health, education & livelihood, environment protection, water management and disaster relief as the areas where assistance is provided on a need-based and case-to-case basis. Your Company persisted with participation in such activities at the local, grass-root level during the year. |
| 2. | Reference to the web-link to the CSR policy and projects or programmes | The contents of CSR policy can be accessed through the web link http://www.sunpharma.com/policies and details on projects and programmes are forming part of this Annual Report |
| 3. | Composition of the CSR Committee | Mr. Dilip S. Shanghvi, Chairman, Mr. Sudhir V. Valia, Member and Ms. Rekha Sethi, Member |
| 4. | Average net profit of the Company for last three financial years | The average net profits of the Company for the last three financial years was negative, due to loss incurred in last preceding three years |
| 5. | Prescribed CSR Expenditure (two percent of the amount as in item 4 above) | Since, the average net profit of the Company for the last three financial years was negative, the Company was not required to spend on CSR activities during the previous year. However, the Company has voluntarily spent on CSR activities. |
| 6. | Details of CSR spend for the financial year: | |
| | a) Total amount spent for the financial year | ₹ 26.97 Million |
| | b) Amount unspent, if any | Nil |
| | c) Manner in which the amount spent during the Financial year | Details given below |

(₹ in Million)

| Sr. No. | CSR Project or Activity Identified | Sector in which the project is covered | Projects or Programs<br>1. Local Area or other<br>2. Specify the State and District where projects or programs was undertaken | Amount Outlay (Budget) Project or Program wise | Amount spent on the projects or programs (Direct Expenditure) | Overhead Expenditure | Cumulative expenditure upto to the reporting period | Amount spent Directly or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 1 | Mobile Medical Unit Programme | Healthcare under Item No.(i) | Ahmednagar (Ahmednagar, Maharashtra), Halol (Panchmahal, Gujarat), Ankleshwar and Panoli (Bharuch, Gujarat), Karkhadi (Vadodara, Gujarat), Madurantakam (Kanchipuram, Tamilnadu), Mohali (SAS Nagar, Punjab), Dewas (Dewas, M.P.) Malanpur (Bhind, M.P.) Toansa (SBS Nagar, Punjab) and Paonta Sahib (Sirmour district, H.P.) | 26.60 | 21.10 | 0.40 | 69.41 | Implementing Agency:<br>1. HelpAge India<br>2. Sun Pharma Community Healthcare Society |
| 2 | Sanitation Programme | Healthcare under Item No.(i) | Ahmednagar (Ahmednagar, Maharashtra), Madurantakam (Kanchipuram, Tamilnadu), Halol (Panchmahal, Gujarat) and Silvassa (UT of Dadra & Nagar Haveli) | 9.15 | 2.93 | 0.28 | 8.40 | Directly and Implementing Agency: GVT-Dahod |
| 3 | Education Programme | Education under Item No.(ii) | Halol (Panchmahal, Gujarat), Ahmednagar (Ahmednagar, Maharashtra), Silvassa (UT of Dadra & Nagar Haveli), Madurantakam (Kanchipuram, Tamilnadu), Toansa (SBS Nagar, Punjab), Panoli (Bharuch, Gujarat) and Malanpur (Bhind, M.P.) | 1.60 | 1.54 | 0.06 | 5.31 | Directly and Implementing Agency: GVT-Dahod |

(₹ in Million)

| Sr. No. | CSR Project or Activity Identified | Sector in which the project is covered | Projects or Programs 1. Local Area or other 2. Specify the State and District where projects or programs was undertaken | Amount Outlay (Budget) Project or Program wise | Amount spent on the projects or programs (Direct Expenditure) | Overhead Expenditure | Cumulative expenditure upto to the reporting period | Amount spent Directly or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 4 | Kidney Dialysis Project | Healthcare under Item No.(i) | Silvassa (UT of Dadra & Nagar Haveli) | 0.40 | 0.40 | - | 0.40 | Implementing Agency: Rogi Kalyan Samiti, Silvassa |
| 5 | Drinking Water Project | Drinking Water under Item No. (i) | Toansa (SBS Nagar, Punjab) | 0.15 | 0.15 | - | 0.15 | Directly |
| 6 | Healthcare Programme | Healthcare under Item No.(i) | Toansa (SBS Nagar, Punjab) | 0.07 | 0.07 | - | 0.67 | Directly |
| 7 | Environment Conservation Programme | Environment under Item No.(iv) | Panoli (Bharuch, Gujarat) | 0.03 | 0.03 | - | 1.09 | Directly |
| | | | **Grand Total** | | **26.22** | **0.75** | **85.43** | |

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Place: Mumbai
Date: May 25, 2018

**Dilip S. Shanghvi**
Chairman - CSR Committee and Managing Director

**Sudhir V. Valia**
Member - CSR Committee and Whole-Time Director

## CSR ACTIVITIES

Sun Pharmaceutical Industries Limited ("Sun Pharma") has engaged various stakeholders through CSR Projects and Programmes and the main purpose of company's CSR activities is to give back to the society by extending helping hand to the needy and the underprivileged communities. Health, education, water, livelihood, environment and disaster relief are some of our key priorities in the area of CSR as a part of CSR Policy of the Company and identified community needs.

The main objective of Sun Pharma's CSR is to emphasize on social transformation and ensuring the sustainability, hence our implementation approach is strategic in nature, and is more inclined towards the sustainability of the projects, addressing community needs, focusing poorest of the poor and weaker sections of society.

### Vision:

Sun Pharma's CSR policy emphasizes on striving to bring about the holistic development of underserved communities in a sustainable and impactful manner.

Following CSR Projects and programmes have been implemented during financial year 2017-18:

### (1) Mobile Medical Unit:

In order to provide primary healthcare facilities in peripheral villages falling in the vicinity of manufacturing plant locations, Sun Pharma has undertaken Mobile Medical Facilities through van and other preventive and promotive healthcare awareness programmes in villages.

Mobile Medical Unit, a flagship project related to primary health care programme, is being known for catering basic healthcare benefits to the targeted beneficiaries at their doorstep. It is an outreach service of medical check-up and medicine distribution by professionals while on travelling to remote villages. A full-time committed health van, visits the selected nodal locations at a regular frequency. It is manned by a dedicated team of qualified experienced doctor and ANMs, who provide medical check-ups, medicines, expert counselling and referral services for free of cost.

The Programme is being implemented with the help of partner organization namely "Sun Pharma Community Healthcare Society" and "HelpAge India" and it aims to address the following health related issues:-

- To deliver primary healthcare services to the underserved rural areas.
- To reduce Infant and Maternal Mortality and improve the health status of adolescent girls.
- Prevention & control of communicable and non-communicable / other prevalent diseases.

- Promote awareness on all health related issues /HIV/AIDS and female foeticide.
- To address problems of unaffordability, inaccessibility and non-availability of basic essential healthcare to poor elderly.

In FY 2017-18, ₹ 21.51 million was invested towards this program covering 137 villages across various locations – Halol, Panoli, Ankleswar and Karkhadi in Gujarat, Nagar in Maharashtra, Mohali, Toansa in Punjab, Paonta Sahib in Himachal Pradesh, Madurantakam in Tamilnadu and Dewas and Malanpur in Madhya Pradesh. The total numbers of patients treated were 1,18,180 and in addition to this clinical treatments 68,788 people also benefitted through various Promotive and Preventive healthcare awareness programme organized in different villages.

### (2) Sanitation Project:

Sun Pharma is working towards achieving aim of promoting "Swachh Bharat" which is a national agenda of sanitation and cleanliness by 2019. This is to change the socio economic situation of communities; the Company has decided to make villages free from open defecation practices. Sun Pharma has undertaken CSR Project on Construction of Individual Households Toilets and Behavioral Change Communication to promote sanitation across different plant locations in India located at Ahmednagar, Halol, Silvassa and Madurantakam.

This programme is implemented by the CSR Department in PPP model and also with the help of implementing agency GVT-Dahod :

- To construct toilets for the community with provision of 100% coverage in villages.
- To conduct intensive Information, Education and Communication (IEC) campaign about sanitation with the involvement of PRIs, Co-operatives, ASHAs, Anganwadi workers, Women Groups, Self Help Groups, NGOs etc.

To achieve the objective of zero open defecation, 201 Individual Household Toilets were constructed during FY 2017-18 with an investment of ₹ 3.21 million.

### (3) Education Programme

Sun Pharma believes that "Education is a key to development" and hence we have been working on concept of MHRD's on 'model school development', in which various programmes were executed like up-gradation of classroom, renovation and up keeping of schools, providing proper drinking water facilities at rural schools and other required up-gradation in school infrastructure so that it converts into model schools over a period of years. Educational Programme was implemented at Ahmednagar, Halol, Madurantakam, Panoli, Silvassa, Toansa and Malanpur. The programme has benefitted 5770 students with an investment of ₹ 1.60 million during the FY 2017-18.

### (4) Kidney Dialysis Project:

Kidney dialysis project was focused upon providing free kidney dialysis services to poor and unprivileged sections of society and is being implemented with the help of implementing agency Rogi Kalyan Samiti at Silvassa. There are many poor patients who require dialysis treatment several times a week and are in immense need of financial assistance in order to undergo dialysis treatment. The project has proven as a boon for them and benefitted 127 such patients with an investment of ₹ 0.40 million during the FY 2017-18.

### (5) Drinking water Projects

Sun Pharma has installed a tubewell and pump house was also constructed for provision of drinking water in village Toansa through underground pipeline. The same was operated and maintained by Sun Pharma for providing drinking water on regular basis. It has benefitted 210 households with the cost involvement of ₹ 0.15 million.

### (6) Healthcare Programme

As a part of continuous efforts to provide health facilities for local peripheral areas of plants, Sun Pharma renovated one abandoned dispensary of Zila Parishad providing all infrastructural needs and required equipment's and medicines in addition to the Government supply. Company is maintaining this dispensary since 2009 as continuous project which covers population of nearby villages i.e. Bholewal, Toansa and Railmajra with the following given objectives:

- To deliver primary health care services to the underserved rural areas staying close to the dispensary to ensure medical health services to all.
- To reduce Infant and Maternal Mortality and improve the health status of adolescent girls.
- Prevention & control of communicable diseases and non-communicable/other prevalent diseases.
- Promote awareness on HIV/AIDS.

About 7200 beneficiaries of three villages benefited out of these medical services that are being provided at the Dispensary. Sun Pharma has invested ₹ 0.07 million in this project during the FY 2017-18.

### (7) Green Belt Development

Tree plantation is one of the effective measures to control problems of air pollution and further to its economic benefits; it effectively addresses several important environmental and sustainable development objectives. This effort will also brighten the surrounding of the community, over and above offering ecological benefits. Company has undertaken roadside plantation at Panoli with an investment of ₹ 0.03 million during the FY 2017-18.

ANNEXURE - G

# PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

## A. CONSERVATION OF ENERGY

### 1. Steps taken or impact on Conservation of Energy

- Install & use of energy efficient screw air compressor instead of reciprocating compressor.
- Electricity usages are reduced by confined control on lightings by applying motion sensors.
- Improve boiler system efficiency by improving condensate recovery, recovering flash steam and repairing non operative steam traps
- Lightings load reduction by installation of LED lightings.
- Opt TOD base electricity bill option to get benefit in electricity bill.
- Maintain Power Factor near to unity & reduced contract demand.
- Install VFD on AHUs blowers to reduce power requirement
- Install energy efficiency pumps and blowers.
- Energy saving in chillers by maintaining proper water treatment & cleaning frequency.

### 2. Steps taken by the Company for utilising alternate sources of energy

In following factories biomass briquettes are used instead of conventional fuel (FO/HSD) - Ahmednagar, Panoli, Mohali, Silvassa, Dadra, Karkhadi, Dewas, MKM Chennai, Paonta Sahib. In MKM Chennai – Partially power is used from the wind mills.

### 3. Capital investment on energy conservation equipments

- Capital investment of ₹ 54.8 million is done on energy conservation equipments.

## B TECHNOLOGY ABSORPTION

### (A) Research and Development

1. Expenditure on R&D –

(₹ in Million)

| | | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| a) | Capital | **1,591.0** | 1,392.3 |
| b) | Revenue | **8,261.0** | 9,038.0 |
| c) | Total | **9,852.0** | 10,430.3 |
| d) | Total R&D expenditure as % of Total Turnover | **12.4%** | 13.4% |

### (B) Technology Absorption, Adaptation and Innovation

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

The company continues to invest on R&D, both as revenue expenses as well as capital investments. Part of this spending is for complex products, specialty products, generic filings for the US, and API technologies that are complex and may require dedicated manufacturing blocks. Investments have been made in creating research sites, employing scientifically skilled and experienced manpower, adding equipment, sponsored research and in accessing world class consultants to continuously upgrade the research understanding of the scientific team in the technologies and therapy areas of our interest.

There has been thrust on the development of novel technologies like use of green reagents for chemical transformations in API synthesis and ultrasonic crystallisation for achieving required particle size, capillary flow reactors for continuous process and safety related studies using reaction calorimetry. Product Life Cycle management has been undertaken for key products. Backward integration is a key strategic objective and many of our products enjoy the benefit of this backward integration.

Process robustness has been implemented for wide range of products with the objective to reduce cost and increase in process capability.

Novel compact dosage forms having differentiation with regards to improved stability and/or reduced pharmacokinetic variability have been developed for the Indian market. Stable liquid oral formulations of labile products are also being developed.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution

(a) Offers complete baskets of products under chronic therapeutic classes. Many products are in the pipeline for future introduction in India, emerging markets, as well as US and European generic market. The company has developed an ability to challenge patents in the US market, and earn exclusivity.

(b) Not dependent on imported technology, can make high-end products available at competitive prices by using indigenously developed manufacturing processes and formulation technologies.

(c) Offers technologically advanced differentiated products which are convenient and safe for administration to patients.

(d) We are among the few selected companies that have set up completely integrated manufacturing capability for the production of anticancer, hormones, peptide, immunosuppressant and steroidal drugs.

(e) The Company has benefited from reduction in cost due to import substitution and increased revenue through higher exports.

(f) Clinical studies of some products (complex and difficult to formulate) have been carried out at our in-house clinical pharmacology units. This has helped to maintain R&D quality and regulatory compliance with significantly reduced cost.

3. Your company has not imported technology during the last 5 years reckoned from the beginning of the financial year.

## C. Foreign Exchange Earnings and Outgo –

(₹ in Million)

| | | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| 1. | Earnings | **40,816.4** | 44,118.1 |
| 2. | Outgo | **30,143.4** | 24,484.1 |

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 25, 2018

Israel Makov
Chairman