

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN PHARMA LABORATORIES LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

EN 

Deloitte Haskins & Sells

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, read with the 'Emphasis of Matter' paragraph below, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

Pursuant to the Scheme of Arrangement approved by the concerned High Courts, the accounting treatment followed by the Company with respect to the tangible and intangible assets of the Domestic Formulation undertaking of Sun Pharmaceutical Industries Limited, the Holding Company, transferred to the Company (being its Wholly Owned Subsidiary) without consideration, is as described in Note 36. The impact of the above Scheme, along with the consequential effects thereof, is reflected in these financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements


- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

En *RKH*

Deloitte Haskins & Sells

- (d) In our opinion, read with the 'Emphasis of Matter' paragraph above, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
- (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

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



Rajesh K Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 28th May, 2013

Eⁿ

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

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

- (i) Having regard to the nature of the Company's business / activities / results during the year, clauses vi, xii, xiii, xiv, xv, xvi, xviii, xix and xx of paragraph 4 of the Order are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of a special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

EH *RKH*

Deloitte

Haskins & Sells

- (vi) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that are required to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Customs Duty, Excise Duty and other material statutory dues applicable to it with the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Customs Duty, Excise Duty and other material statutory dues in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.
 - (c) There were no dues in respect of Income-tax, Sales Tax, Customs Duty and Excise Duty which have not been deposited as on 31st March, 2013 on account of any dispute.
 - (d) Having regards to the nature of the Company's business / activities / results during the year, statutory dues in respect of Investor Education and Protection Fund, Wealth Tax and Service tax are not applicable to the Company.
- (x) The accumulated losses i.e. deficit in the Statement of Profit and Loss of the Company at the end of the financial year are not more than fifty per cent of its net worth [including Capital Reserve arising pursuant to the scheme of arrangement (Refer Note 36)] and the Company has incurred cash losses only during the preceding year but has not incurred any cash loss during the current financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company does not have any dues to financial institutions and has not issued any debentures.

EH 

Deloitte Haskins & Sells

- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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



Rajesh K Hiranandani
Partner
(Membership No. 36920)

MUMBAI, 28th May, 2013

EH

SUN PHARMA LABORATORIES LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2013

	Note No.	As at 31st March, 2013		As at 31st March, 2012	
		₹ in Million	₹ in Million	₹ in Million	₹ in Million
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	1	0.5		0.1	
Reserves and Surplus	2	1,73,136.9	1,73,137.4	1,85,655.3	1,85,655.4
Non-current Liabilities					
Long-term Borrowings	3	115.7		115.7	
Deferred Tax Liabilities (Net)	4	-		-	
Other Long-term Liabilities	5	12.8		-	
Long-term Provisions	6	236.4	364.9	-	115.7
Current Liabilities					
Trade Payables	7	58.0		0.1	
Other Current Liabilities	8	3.7		-	
Short-term Provisions	9	159.5	221.2	-	0.1
TOTAL			1,73,723.5		1,85,771.2
ASSETS					
Non-current Assets					
Fixed Assets					
Tangible Assets	10A	40.7		38.1	
Intangible Assets	10B	1,67,637.2		1,82,877.0	
		1,67,677.9		1,82,915.1	
Non-current Investments	11	115.7		115.7	
Long-term Loans and Advances	12	30.8	1,67,824.4	14.1	1,83,044.9
Current Assets					
Current Investments	13	-		1.1	
Inventories	14	523.1		1,460.9	
Trade Receivables	15	1,309.5		1,238.4	
Cash and Cash Equivalents	16	0.1		0.0	
Short-term Loans and Advances	17	4,066.4	5,899.1	25.9	2,726.3
TOTAL			1,73,723.5		1,85,771.2

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

RK Hiranandani

RAJESH K. HIRANANDANI
Partner
Mumbai, 28th May, 2013

MC E11

For and on behalf of the Board

Dilip S. Shanghvi

DILIP S. SHANGHVI
Director

Sudhir V. Valia
SUDHIR V. VALIA
Director

Sailesh T. Desai

SAILESH T. DESAI
Director
Mumbai, 28th May, 2013



SUN PHARMA LABORATORIES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

	Note No.	Year ended 31st March, 2013		Year ended 31st March, 2012	
		₹ in Million	₹ in Million	₹ in Million	₹ in Million
Revenue from Operations	18	12,933.1		-	
Less: Excise Duty		<u>254.8</u>		<u>-</u>	
		12,678.3		-	
Other Income (Previous year ₹ 40,354)	19	<u>2.6</u>		<u>0.0</u>	
Total Revenue			12,680.9		0.0
Expenses					
Cost of Materials Consumed	20	2,878.4		-	
Purchases of Stock-in-Trade	27	1,578.2		-	
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	21	154.5		-	
Employee Benefits Expense	22	1,694.7		-	
Depreciation and Amortisation Expense	10	15,244.9		-	
Other Expenses	23	<u>3,648.6</u>		<u>0.1</u>	
Total Expenses			25,199.3		0.1
Loss for the Year before Tax (Previous year ₹ 38,581)			(12,518.4)		(0.0)
Taxation	29		<u>-</u>		<u>-</u>
Loss for the Year after Tax (Previous year ₹ 38,581)			(12,518.4)		(0.0)
Earnings / (Loss) per Share					
Basic and Diluted (₹) Face Value per Equity share - ₹ 10	32		(282,050.4)		(4.3)

See accompanying notes forming part of the Financial Statements

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants

RAJESH K. HIRANANDANI
Partner
Mumbai, 28th May, 2013

For and on behalf of the Board

DILIP S. SHANGHVI
Director

SUDHIR V. VALIA
Director

SAILESH T. DESAI
Director
Mumbai, 28th May, 2013

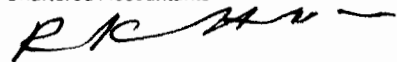


SUN PHARMA LABORATORIES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

	Year ended 31st March, 2013 ₹ in Million	Year ended 31st March, 2012 ₹ in Million
A. Cash Flow from Operating Activities		
Loss Before Tax (Previous year ₹ 38,581)	(12,518.4)	(0.0)
Adjustments for:		
Depreciation and Amortisation Expense	15,244.9	-
Finance Costs	0.9	-
Interest Income	(1.2)	-
Net Gain on Sale of Current Investments (Previous year ₹ 40,354)	(0.1)	(0.0)
Provision for Doubtful Trade Receivable	2.1	-
Operating Profit / (Loss) Before Working Capital Changes	2,728.2	(0.1)
Changes in working capital:		
Adjustments for (Increase) / Decrease in Operating Assets:		
Inventories	937.8	-
Trade Receivables	(72.4)	-
Loans and Advances	(4,058.0)	-
Adjustments for Increase / (Decrease) in Operating Liabilities:		
Trade Payables	57.9	0.1
Other Liabilities	16.5	-
Provisions	395.9	-
Cash Generated from/(used in) Operations (Previous year ₹ 20,197)	5.9	(0.0)
Income Tax Paid ₹ 40,000 (Previous year ₹ 997)	(0.0)	(0.0)
Net Cash from / (Used in) Operating Activities (A) (Previous year ₹ 21,194)	5.9	(0.0)
B. Cash Flow from Investing Activities		
Capital Expenditure on Fixed Assets, including Capital Advances	(7.9)	-
Proceeds from Sale of Fixed Assets	0.2	-
Purchase of Investments	-	(116.8)
Proceeds from Sale of Current Investments	1.2	-
Inter Corporate Deposit - Received back	-	1.0
Interest Received	1.2	-
Net Cash Flow used in Investing Activities (B)	(5.3)	(115.8)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Shares	0.4	-
Redemption of Preference Shares ₹ 10,000	(0.0)	-
Proceeds from Borrowings	-	115.7
Finance Costs	(0.9)	-
Net Cash Flow (used) / from in Financing Activities (C)	(0.5)	115.7
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	0.1	(0.1)
Cash and Cash Equivalents at the Beginning of the Year ₹ 30,915	0.0	0.1
Cash and Cash Equivalents at the end of the Year (Previous year ₹ 30,915) (Refer Note 16)	0.1	0.0

See accompanying notes forming part of the Financial Statements
In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

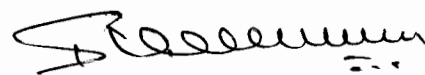


RAJESH K. HIRANANDANI
Partner
Mumbai, 28th May, 2013

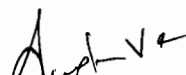
pl EM



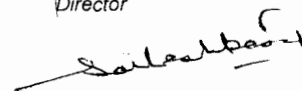
For and on behalf of the Board



DILIP S. SHANGHVI
Director



SUDHIR V. VALIA
Director



SAILESH T. DESAI
Director
Mumbai, 28th May, 2013

SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

1 Share Capital

Authorised

Equity Shares of ₹ 10 each
 12% Redeemable Non Cumulative Preference Shares of ₹ 100 each
 (Previous year ₹ 10,000)

As at 31st March, 2013	As at 31st March, 2012
Number of Shares	Number of Shares
10,000,000	50,000
4,000,000	100
<u>14,000,000.0</u>	<u>50,100.0</u>
₹ in Million	₹ in Million
100.0	0.5
400.0	0.0
<u>500.0</u>	<u>0.5</u>

Issued, Subscribed and Fully Paid Up (Refer Note 25)

Equity Shares of ₹ 10 each
 12% Redeemable Non Cumulative Preference Shares of ₹ 100 each
 (Previous year ₹ 10,000)

As at 31st March, 2013	As at 31st March, 2012
₹ in Million	₹ in Million
50,000	9,000
-	100
<u>50,000</u>	<u>9,100</u>
0.5	0.1
0.5	0.0
<u>0.5</u>	<u>0.1</u>

2 Reserves and Surplus

Capital Reserve

Opening Balance
 Add : Additions during the year (Refer Note 36a)
 Closing Balance

As at 31st March, 2013	As at 31st March, 2012
₹ in Million	₹ in Million
185,654.3	-
-	185,654.3
<u>185,654.3</u>	<u>185,654.3</u>

Surplus / (Deficit) in Statement of Profit and Loss

Opening Balance
 Add: Loss for the Year (Previous year ₹ 38,581)
 Closing Balance

As at 31st March, 2013	As at 31st March, 2012
₹ in Million	₹ in Million
1.0	1.0
(12,518.4)	(0.0)
<u>(12,517.4)</u>	<u>1.0</u>
<u>173,136.9</u>	<u>185,655.3</u>

3 Long-term Borrowings

Loans Repayable on Demand but not before 1st April, 2014 - Unsecured

115.7	115.7
<u>115.7</u>	<u>115.7</u>

4 Deferred Tax Liabilities (Net)

Deferred Tax Liability

Depreciation on Fixed Assets

0.7

Less :

Deferred Tax Assets

Unpaid Liabilities Allowable on payment basis U/s 43B of the Income Tax Act, 1961 (Restricted to the extent of deferred tax liability on depreciation) (Refer Note 29)

0.7

-	-
<u>-</u>	<u>-</u>

5 Other Long-term Liabilities

Trade / Security Deposits Received

12.8	-
<u>12.8</u>	<u>-</u>

6 Long-term Provisions

Employee Benefits - Compensated Absences
 Product Returns (Refer Note 38)

69.0	-
167.4	-
<u>236.4</u>	<u>-</u>

7 Trade Payables

Due to Micro and Small Enterprises (Refer Note 30)
 Other Payables

-	-
58.0	0.1
<u>58.0</u>	<u>0.1</u>

8 Other Current Liabilities

Statutory Remittances

3.7	-
<u>3.7</u>	<u>-</u>

9 Short-term Provisions

Employee Benefits - Compensated Absences
 Product Returns (Refer Note 38)

29.5	-
130.0	-
<u>159.5</u>	<u>-</u>

RK *EH*



SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

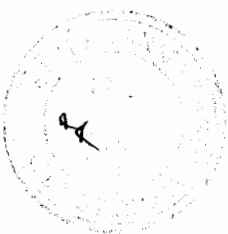
10 Fixed Assets

₹ in Million

Description of Assets	Gross Block				Depreciation / Amortisation				Net Block			
	As at 01.04.2012	Acquired under scheme of arrangement	Additions during the year	Deletions / Adjustments during the year	As at 31.03.2013	As at 01.04.2012	Acquired under scheme of arrangement	For the year	On Deletions during the year	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
A. Tangible Assets												
Vehicles	28.9	-	1.3	0.4	29.8	7.7	-	2.8	0.2	10.3	19.5	21.2
	(-)	(28.9)	(-)	(-)	(28.9)	(-)	(7.7)	(-)	(-)	(7.7)	(21.2)	(-)
Office Equipment	22.7	-	6.6	-	29.3	6.3	-	2.3	-	8.6	20.7	16.4
	(-)	(22.7)	(-)	(-)	(22.7)	(-)	(6.3)	(-)	(-)	(6.3)	(16.4)	(-)
Furniture and Fixtures	0.7	-	-	-	0.7	0.2	-	-	-	0.2	0.5	0.5
	(-)	(0.7)	(-)	(-)	(0.7)	(-)	(0.2)	(-)	(-)	(0.2)	(0.5)	(-)
Total Tangible Assets	52.3	-	7.9	0.4	59.8	14.2	-	5.1	0.2	19.1	40.7	38.1
Previous Year	(-)	(52.3)	(-)	(-)	(52.3)	(-)	(14.2)	(-)	(-)	(14.2)	(38.1)	(-)
B. Intangible Assets (at fair value, Refer Note 36b) Trademarks, Brands (including right to use), Know-how and other related intangibles	182,877.0	-	-	-	182,877.0	-	-	15,239.8	-	15,239.8	167,637.2	182,877.0
	(-)	(182,877.0)	(-)	(-)	(182,877.0)	(-)	(-)	(-)	(-)	(-)	(182,877.0)	(-)
Total Intangible Assets	182,877.0	-	-	-	182,877.0	-	-	15,239.8	-	15,239.8	167,637.2	182,877.0
Previous Year	(-)	(182,877.0)	(-)	(-)	(182,877.0)	(-)	(-)	(-)	(-)	(-)	(182,877.0)	(-)
Total Fixed Assets	182,929.3	-	7.9	0.4	182,936.8	14.2	-	15,244.9	0.2	15,258.9	167,677.9	182,915.1
Previous Year	(-)	(182,929.3)	(-)	(-)	(182,929.3)	(-)	(14.2)	(-)	(-)	(14.2)	(182,915.1)	(-)

Footnote:
Previous Year figures are in brackets

PLV *PA* *EN*



SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	As at 31st March, 2013		As at 31st March, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
11 Non-current Investments				
Long-term Investments (At Cost)				
Trade Investments				
In Debentures (Unquoted)				
Sun Speciality Chemicals Pvt Ltd		115.7		115.7
11,56,500 (Previous Year 11,56,500) 0% Optionally Fully Convertible Debentures of ₹ 100 each fully paid				
		<u>115.7</u>		<u>115.7</u>
12 Long-term Loans and Advances				
(Unsecured – Considered Good)				
Security Deposits		12.5		12.4
Loans and Advances to Employees		18.3		1.7
Advance Income Tax (₹ 40,000) [Net of provision of ₹ 0.3 Million (Previous Year ₹ 0.3 Million)]		0.0		-
		<u>30.8</u>		<u>14.1</u>
13 Current Investments				
Unquoted				
In Mutual Funds (Units of Face Value of ₹ 100 each fully paid)				
Birla Sunlife Floating Rate Fund - Short Term - Growth option		-		0.1
NIL (Previous Year 550) Units				
Birla Sunlife Cash Plus- Retail - Growth option		-		1.0
NIL (Previous Year 3,741) Units				
		<u>-</u>		<u>1.1</u>
14 Inventories				
Raw Materials and Packing Materials		73.8		857.1
Work-in-Progress - Formulations		8.7		146.6
Finished Goods - Formulations		344.0		295.2
Stock-in-Trade - Formulations		96.6		162.0
		<u>523.1</u>		<u>1,460.9</u>
15 Trade Receivables				
(Unsecured – Considered Good unless stated otherwise)				
Outstanding for a period exceeding Six Months from the date they are due for payment				
Considered Good	1.0		2.2	
Doubtful	1.5		0.2	
	<u>2.5</u>		<u>2.4</u>	
Less: Provision for Doubtful Trade Receivables	1.5	1.0	0.2	2.2
Other Trade Receivables		<u>1,308.5</u>		<u>1,236.2</u>
		<u>1,309.5</u>		<u>1,238.4</u>
16 Cash and Cash Equivalents				
Balances that meet the definition of Cash and Cash Equivalents as per AS3, Cash Flow Statements				
Cash on Hand ₹ 2,281 (Previous year ₹ 1,347)		0.0		0.0
Balances with Banks				
In Current Accounts (Previous year ₹ 29,568)		0.1		0.0
		<u>0.1</u>		<u>0.0</u>
17 Short-term Loans and Advances				
(Unsecured – Considered Good)				
Loans and Advances to Related Parties (Refer Note 31)		4,016.3		-
Loans and Advances to Employees		45.8		25.9
Balances with Government Authorities		4.3		-
		<u>4,066.4</u>		<u>25.9</u>

PKB EH



SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

	Year ended 31st March, 2013		Year ended 31st March, 2012	
	₹ in Million	₹ in Million	₹ in Million	₹ in Million
18 Revenue from Operations				
Sale of Products - Formulations		9,592.9		-
Other Operating Revenues				-
Share of Income from Partnership Firms (Refer Note 36a)		3,340.2		-
		<u>12,933.1</u>		<u>-</u>
19 Other Income				
Net Interest Income				
Interest Income on Loans and Advances	1.2		-	
Less : Finance Costs				
Interest Expense on Security Deposits	<u>0.9</u>	<u>0.3</u>	<u>-</u>	<u>-</u>
Net Gain on Sale of Current Investments (Previous year ₹ 40,354)		0.1		0.0
Insurance Claims		<u>2.2</u>		<u>-</u>
		<u>2.6</u>		<u>0.0</u>
20 Cost of Materials Consumed				
Raw and Packing Materials				
Inventory at the beginning of the year *		857.1		-
Purchases during the year		2,095.1		-
Inventory at the end of the year		<u>(73.8)</u>		<u>-</u>
		<u>2,878.4</u>		<u>-</u>
* Acquired under scheme of arrangement (Refer Note 36a)				
21 Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade				
Inventories at the beginning of the year *		603.8		-
Inventories at the end of the year		<u>(449.3)</u>		<u>-</u>
		<u>154.5</u>		<u>-</u>
* Acquired under scheme of arrangement (Refer Note 36a)				
22 Employee Benefits Expense				
Salaries and Wages		1,533.6		-
Contribution to Provident and Other Funds		92.8		-
Staff Welfare Expenses		<u>68.3</u>		<u>-</u>
		<u>1,694.7</u>		<u>-</u>
23 Other Expenses				
Consumption of Materials, Stores and Spare Parts		3.9		-
Conversion and Other Manufacturing Charges		430.1		-
Power and Fuel		0.2		-
Rent		5.2		-
Insurance		3.1		-
Selling and Distribution		2,722.2		-
Commission and Discount		302.2		-
Repairs - Others		0.1		-
Printing and Stationery		2.5		-
Travelling and Conveyance (Previous year ₹ 1,076)		127.9		0.0
Communication		1.6		-
Provision for Doubtful Trade Receivables				
Provision for Doubtful Trade Receivables	1.3		-	
Sundry Balances written off (Net)	<u>0.8</u>	<u>2.1</u>	<u>-</u>	<u>-</u>
Professional and Consultancy (Previous Year ₹ 15,884)		7.1		0.0
Payments to Auditors (Net of Service Tax)				
As Auditors (Previous year ₹ 61,798)		0.3		0.1
Miscellaneous Expenses (Previous year ₹ 177)		<u>40.1</u>		<u>0.0</u>
		<u>3,648.6</u>		<u>0.1</u>

RKK *ml* EM



24 SIGNIFICANT ACCOUNTING POLICIES

I Basis of Accounting

These financial statements are prepared under historical cost convention on an accrual basis in accordance with the Generally Accepted Accounting Principles in India and the Accounting Standards (AS) as notified under the Companies (Accounting Standards) Rules, 2006 and on fair valuation basis for assets received under the scheme of arrangement approved by the Hon'ble High Courts.

II Use of estimates

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

III Fixed Assets and Depreciation / Amortisation

Fixed Assets including Intangible are stated at historical cost (net of cenvat credit) less accumulated depreciation/amortisation thereon and impairment losses, if any. Fixed Assets including intangibles received from the holding company pursuant to scheme of arrangement are recorded at fair value. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing ₹ 5,000/- or less are charged off as expense in the year of purchase. Intangible Assets consisting of Trade marks and other related rights are amortized on Straight Line Method from date they are available for use, over 12 years being the estimated useful life.

IV Leases

Lease rental for assets taken on operating lease are charged to the Statement of Profit and Loss in accordance with Accounting Standard 19 on Leases.

V Revenue Recognition

Sale of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of products. Sales includes delayed payment charges and are stated net of returns including provision made on account of estimated breakages and expiry and VAT / Sales Tax, if any.

VI Investments

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

VII Inventories

Inventories consisting of raw and packing materials, work-in-progress, stock-in-trade and finished goods are stated at lower of cost (raw and packing materials and stock-in-trade - specific identification method; other materials and consumables - FIFO basis; work-in-progress and finished goods - weighted average method) and net realisable value.

VIII Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate that approximates the actual rate prevailing at the date of the transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates.

IX Taxes on Income

Provision for taxation comprises Current Tax and Deferred Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted in accordance with Accounting Standard 22 (AS-22) "Accounting for taxes on income" as notified under the Companies (Accounting Standards) Rules, 2006, using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date.

X Employee Benefits

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

XI Borrowing Costs

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

XII Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements, since this may result in the recognition of income that may never be realised.

XIII Operating Cycle

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

25 Disclosures relating to Share Capital

i Rights, Preferences and Restrictions attached to Shares

The Company has two classes of shares referred to as equity shares having a par value of ₹ 10 per share and 12% Redeemable Non cumulative Preference Shares having par value of ₹ 100 per share. Each holder of equity shares is entitled to one vote per share. Holder of Preference shares are not entitled to any voting rights.

me RKK EH



SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

ii Shares held by each shareholder holding more than 5 percent Shares in the Company are as follows:

Name of Shareholders	As at 31st March, 2013		As at 31st March, 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shareholders				
Sun Pharmaceutical Industries Ltd (Holding Company)	50,000	100.0	9,000	100.0
12% Redeemable Non cumulative Preference Shareholders				
Sun Pharmaceutical Industries Ltd (Holding Company)	-	-	100	100.0

iii Reconciliation of the Number of shares outstanding at the beginning and at the end of the reporting period

	As at 31st March, 2013		As at 31st March, 2012	
	Number of Shares	₹ in Million	Number of Shares	₹ in Million
Equity Shares of ₹ 10 each				
Opening Balance	9,000	0.1	9,000	0.1
Add : Issued during the year	41,000	0.4	-	-
Closing Balance	50,000	0.5	9,000	0.1
12% Redeemable Non Cumulative Preference Shares of ₹ 100 each				
Opening Balance ₹ 10,000 (Previous year ₹ 10,000)	100	0.0	100	0.0
Less : Redeemed during the year (₹ 10,000)	100	0.0	-	-
Closing Balance (Previous year ₹ 10,000)	-	-	100	0.0

	Year ended 31st March, 2013		Year ended 31st March, 2012	
	₹ in Million		₹ in Million	
26 Information relating to Consumption of Materials				
Raw and Packing Materials				
Raw Materials	2,662.1		-	
Packing Materials	216.3		-	
Total	2,878.4		-	
None of the items individually account for more than 10% of total consumption.				
Imported and Indigenous	%		%	
Raw and Packing Materials				
Imported	21.41	616.2	-	-
Indigenous	78.59	2,262.2	-	-
Total	100.00	2,878.4	-	-
Stores and Spare Parts and Other Materials				
Imported	-	-	-	-
Indigenous	100.00	3.9	-	-
Total	100.00	3.9	-	-
27 Information relating to Purchases of Stock-in-Trade				
Formulations	1,578.2		-	
	1,578.2		-	
28 Expenditure in Foreign Currency				
Raw and Packing Materials (CIF basis)	616.1		-	
29 Taxation				
Current Tax for the year ended 31st March, 2013 has been provided taking into account the deduction / exemption available and proposed to be claimed by the Company based on the management's view.				
The timing differences mainly relating to unabsorbed depreciation and unpaid liability allowable on payment basis u/s.43B of the Income Tax Act, 1961, results in a deferred tax asset as per AS 22 on "Accounting for Taxes on Income". Deferred tax asset has been recognised in respect of unpaid liability allowable on payment basis u/s.43B of the Income Tax Act, 1961, to the extent that future taxable income will be available from future reversal of any deferred tax liability recognised at the balance sheet date and is restricted to the extent of such liabilities. As a prudent measure, deferred tax asset in excess of the deferred tax liabilities has not been recognised in the accounts as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.				
30	Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors. There is no additional disclosure required to be made in this regard.			
31 Related Party Disclosure (AS-18) - as per Annexure 'A'				
32 Accounting Standard (AS-20) on Earnings Per Share	Year ended 31st March, 2013		Year ended 31st March, 2012	
	₹ in Million		₹ in Million	
Loss for the year - used as Numerator for calculating Earnings per share (Previous Year ₹ 38.581)	(12,518.4)		(0.0)	
Weighted Average number of Shares used in computing basic and diluted earnings per share	44,384		9,000	
Nominal Value Per Share (in ₹)	10		10	
Basic and Diluted Earnings Per Share (in ₹)	(282,050.4)		(4.3)	

PKH *EH*

33 Accounting Standard (AS-17) on Segment Reporting

The Company has identified "Pharmaceuticals" as the only primary reportable business segment and only one reportable geographical segment.- within India. Accordingly, the disclosure requirements of AS-17 are not applicable.

34 Accounting Standard (AS-15) on Employee benefits

Contributions are made to Recognised Provident Fund/ Government Provident Fund, Family Pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to ₹ 66.6 Million (Previous year Nil)

	Year ended 31st March, 2013 ₹ in Million	Year ended 31st March, 2012 ₹ in Million
Contribution to Provident Fund	66.4	-
Contribution to Employees State Insurance Scheme (ESIC)	0.2	-

In respect of Gratuity, Contributions are made to LIC's Recognised Group Gratuity Fund Scheme based on amount demanded by LIC of India. Provision for Gratuity is based on actuarial valuation done by an independent actuary as at the year end. Actuarial Valuation for Compensated Absences is done as at the year end and provision is made as per the Company rules with corresponding charge to the Statement of Profit and Loss amounting to ₹ 30.6 Million (Previous Year Nil) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

Category of Plan Assets : The Company's Plan Assets in respect of Gratuity are funded through the Group Scheme of the LIC of India.

In respect of gratuity (funded):

	Year ended ₹ in Million	
	31st March, 2013	31st March, 2012
Reconciliation of liability / (asset) recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	182.4	-
Fair value of plan assets	(168.3)	-
Net liability / (asset) in the Balance sheet	14.1	-
Movement in net liability / (asset) recognised in the Balance sheet		
Net liability / (asset) acquired under the scheme of arrangement	(12.2)	-
Net expense recognised in the Statement of Profit and Loss	51.2	-
Contribution during the year	(24.9)	-
Net liability / (asset) in the Balance sheet	14.1	-
Expense recognised in the Statement of Profit and Loss		
Current service cost	13.6	-
Interest cost	10.4	-
Expected return on plan assets	(11.4)	-
Actuarial loss	38.6	-
Expense charged to the Statement of Profit and Loss	51.2	-
Return on plan assets		
Expected return on plan assets	11.4	-
Actuarial gain	3.2	-
Actual return on plan assets	14.6	-
Reconciliation of defined-benefit commitments		
Commitments acquired under the scheme of arrangement	122.3	-
Current service cost	13.6	-
Interest cost	10.4	-
Paid benefits	(5.7)	-
Actuarial loss	41.8	-
Commitments as at the year end	182.4	-
Reconciliation of plan assets		
Plan assets acquired under the scheme of arrangement	134.5	-
Expected return on plan assets	11.4	-
Contributions during the year	24.9	-
Paid benefits	(5.7)	-
Actuarial gain	3.2	-
Plan assets as at the year end	168.3	-

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

Discount rate	8.25%	-
Expected return on plan assets	8.25%	-
Expected rate of salary increase	7.00%	-
Mortality		-
	Indian Assured Lives	
	Mortality (2006-08) Ultimate	

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

	₹ in Million
	Year ended
	31st March,
	2013
Experience adjustment	
On plan liabilities	12.5
On plan assets	3.2
Present value of benefit obligation	182.4
Fair value of plan assets	(168.3)
Excess of obligation over plan assets	14.1

The contribution expected to be made by the Company during financial year ending 31st March, 2014 is ₹ 35.1 Million.

Since AS15 has become applicable to the Company from the current financial year, corresponding figures for the previous years has not been furnished.

Md Raza EH



SUN PHARMA LABORATORIES LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

35 Accounting Standard (AS-19) on Leases

The Company has obtained certain premises for its business operations (including furniture and fittings therein, as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 5 years under leave and licence, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms. Lease payments are recognised in the Statement of Profit and Loss under "Rent" in Note 23.

- 36 a** Pursuant to the scheme of arrangement in the nature of spin off and transfer of Domestic Formulation undertaking of Sun Pharmaceutical Industries Limited, the Holding Company, to the Company (being its Wholly Owned Subsidiary) as approved by the Hon'ble High Court of Gujarat and Hon'ble High Court of Bombay vide Orders dated 03rd May, 2013 on and with effect from the close of business hours on 31st March 2012, the appointed date, all the specified assets, moveable, tangible and intangible assets, without any liabilities, pertaining to the Domestic Formulation undertaking stands transferred to and vested in the Company as a going concern without consideration and have been recorded at their fair value with corresponding credit to capital reserve. For this purpose, in respect of Tangible and other assets carrying amounts in the books of transferor company have been considered as fair value and Intangible assets have been recorded at fair value on the basis of an independent professional valuer's report. W.e.f. 1st April, 2012, the Company is also entitled to remuneration from and share of profits in the Partnership Firms under common control of the holding company (upto 31st August, 2012) at the percentage prescribed under the aforesaid scheme. The impact of the above Scheme, along with the consequential effects thereof, is reflected in these financial statements.

- b** Intangible assets are accounted at Fair Value on the basis of an Independent Professional Valuer's report (Refer Note 10B). These intangibles are available to the Company in perpetuity. The amortisation of intangible assets over 12 years is arrived at based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Company.

- 37** The shareholders of the Company have approved the proposed scheme of arrangement u/s 391 and 394 of the Companies Act 1956 for amalgamation of Sun Pharma Medication Private Ltd and Sun Pharma Drugs Private Ltd, fellow subsidiaries, into the Company with effect from 1st September, 2012, the appointed date. Pending approval of the proposed scheme by the Hon'ble High Court of Bombay and other statutory compliances, no effect of this scheme has been given in these Financial Statements.

- 9** As per the best estimate of the management, provision has been made towards breakages and expiry of product returns, as per Accounting Standard (AS) 29 notified under Companies (Accounting Standards) Rules, 2006.

	Year ended 31st March, 2013	Year ended 31st March, 2012
	₹ in Million	₹ in Million
Opening balance	-	-
Add: Transferred on spin off	130.0	-
Add: Provision for the year	167.4	-
Less: Utilisation / Settlement	-	-
Closing balance	297.4	-

- 39** Previous years' figures are regrouped wherever necessary. Current year's figure are not comparable with those of previous year as there were no material operations during the previous year

RKA *EH*

SUN PHARMA LABORATORIES LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013

ANNEXURE 'A'

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

Names of related parties and description of relationship

Holding Company

Sun Pharmaceutical Industries Limited

Enterprises under common control of Holding Company

* Sun Pharmaceutical Industries

* Sun Pharma Sikkim

Fellow Subsidiaries

* Sun Pharma Medication Pvt Ltd.

* Sun Pharma Drugs Pvt Ltd.

* Enterprises under common control of Holding Company have been converted into private limited companies under Part IX of the Companies Act, 1956 w.e.f. 31st August, 2012.

₹ in Million

Particulars	Holding Company		Enterprises under common control of Holding Company		Fellow Subsidiaries		Total	
	31-03-13	31-03-12	31-03-13	31-03-12	31-03-13	31-03-12	31-03-13	31-03-12
Purchases of goods	-	-	92.2	-	68.8	-	161.0	-
Sun Pharmaceutical Industries	-	-	92.2	-	-	-	92.2	-
Sun Pharma Medication Pvt. Ltd.	-	-	-	-	68.8	-	68.8	-
Sale of goods	-	-	63.9	-	100.3	-	164.2	-
Sun Pharma Sikkim	-	-	50.0	-	-	-	50.0	-
Sun Pharmaceutical Industries	-	-	13.9	-	-	-	13.9	-
Sun Pharma Drugs Pvt. Ltd.	-	-	-	-	94.4	-	94.4	-
Sun Pharma Medication Pvt. Ltd.	-	-	-	-	5.9	-	5.9	-
Receiving of Services	273.6	-	2.7	-	3.5	-	279.8	-
Sun Pharmaceutical Industries	-	-	2.7	-	-	-	2.7	-
Sun Pharma Medication Pvt. Ltd.	-	-	-	-	3.5	-	3.5	-
Sun Pharmaceutical Industries Limited	273.6	-	-	-	-	-	273.6	-
Issue of Equity share capital	0.4	-	-	-	-	-	0.4	-
Sun Pharmaceutical Industries Limited	0.4	-	-	-	-	-	0.4	-
Redemption of Preference share capital	0.0	-	-	-	-	-	0.0	-
Sun Pharmaceutical Industries Limited ₹ 10,000	0.0	-	-	-	-	-	0.0	-
Investment - Capital Contribution	-	-	502.0	-	-	-	502.0	-
Sun Pharma Sikkim	-	-	251.0	-	-	-	251.0	-
Sun Pharmaceutical Industries	-	-	251.0	-	-	-	251.0	-
Loans Received	508.2	-	-	-	-	-	508.2	-
Sun Pharmaceutical Industries Limited	508.2	-	-	-	-	-	508.2	-
Loans Repaid	505.4	-	-	-	-	-	505.4	-
Sun Pharmaceutical Industries Limited	505.4	-	-	-	-	-	505.4	-
Interest Income	-	-	0.0	-	-	-	0.0	-
Sun Pharma Sikkim ₹ 14,630/-	-	-	0.0	-	-	-	0.0	-
Sun Pharmaceutical Industries ₹ 14,630/-	-	-	0.0	-	-	-	0.0	-
Remuneration received from Partnership Firms	-	-	248.8	-	-	-	248.8	-
Sun Pharma Sikkim	-	-	139.2	-	-	-	139.2	-
Sun Pharmaceutical Industries	-	-	109.6	-	-	-	109.6	-
Share of profit from Partnership Firms	-	-	3,091.4	-	-	-	3,091.4	-
Sun Pharma Sikkim	-	-	1,486.0	-	-	-	1,486.0	-
Sun Pharmaceutical Industries	-	-	1,605.4	-	-	-	1,605.4	-
Outstanding Receivables as on	678.0	-	-	-	3,338.3	-	4,016.3	-
Sun Pharma Drugs Pvt. Ltd.	-	-	-	-	1,624.2	-	1,624.2	-
Sun Pharma Medication Pvt. Ltd.	-	-	-	-	1,714.1	-	1,714.1	-
Sun Pharmaceutical Industries Limited	678.0	-	-	-	-	-	678.0	-

(Refer note 36)

RKK EH

