MANAGING DIRECTOR'S LETTER

Dear Shareholders,

The pharmaceutical industry is undergoing rapid changes and it has become crucial to continuously refine and sharpen our capabilities. While responding to these changes is imperative, response capability alone will not be sufficient to generate long term sustainable value for stakeholders. Anticipation of the future shape of the industry and taking steps today, to rightly position the Company, is extremely important.

Businesses of future will need to be more innovative but will have to be coupled with the nimbleness and efficiency of a generic business. Our success of the last decade was driven by our ability to develop and launch generic and branded generic products at a rapid pace with minimal costs. The key determinant for success in the future will be our ability to retain these capabilities and combine them with an engine of innovation leading to a pipeline of complex generics and specialty products. This should help us drive a stable and consistent growth in cash flows, which is a key objective of our corporate philosophy.

The fiscal year 2015 was a very eventful year for Sun Pharma. It presented its own set of opportunities and challenges for the Company. The opportunities reflect future growth potential, while the challenges will help the Company to further strengthen its foundations. During the year, we merged Ranbaxy into Sun Pharma and took a few strong initiatives towards strengthening our specialty pipeline. We also experienced some near-term challenges, specifically regarding cGMP compliance at the Halol facility, which we are confident of resolving. Our subsidiary, Taro has done well despite increased competition for some of its products. Our R&D efforts continue to be directed towards building a strong and differentiated product pipeline. These R&D efforts include a pragmatic mix of initiatives directed towards generating short-, medium- and long-term cash flows. During the year, we also took steps to strengthen our presence in the controlled substances segment and to further enhance our capabilities in the injectable segment.

Ranbaxy Merger

In March 2015, we completed the merger of Ranbaxy with Sun Pharma. This was a landmark transaction in the Indian pharmaceutical industry. This merger has further strengthened our positioning as the world's 5th largest specialty generic Company. It has made us the undisputed leader in the Indian pharmaceutical market with almost 9% market share and the no. 1 prescription ranking with 13 different doctor categories. The merger significantly enhances our presence in many markets including the US, emerging markets and Europe. It also gives us an entry point in the Over-the-Counter (OTC) business segment, a strategic strength, which we plan to leverage on, for establishing a global OTC business. The merger also significantly enhances our ability to invest further in R&D.

The key objective of this merger is to accelerate growth and create opportunities for all stakeholders. The combined organization will benefit from substantial synergies that lie in our technologies, combined pipeline and R&D expertise, wider product portfolio and enhanced manufacturing footprint, driven by our larger talent pool.

Our immediate challenge is to make this merger the success that we believe it can be and quickly capture the full value of this synergy. This merger gives us a unique opportunity to create an organization that is better and stronger than the individual entities. A detailed integration plan is in place to ensure that teams from both the entities 'Grow Together' to realize the full potential of this merger.

We utilized the time between the merger announcement and its closure to chart out a robust integration plan, while ensuring that none of the existing businesses get adversely impacted by the integration process. The integration of the two entities commenced in March 2015 and remains on-track to achieve the long-term benefits from this merger. There are specific integration milestones, which have been identified to generate the targeted synergy benefits of US$ 300 million from the merger. While, we will need to incur certain one-time integration charges to generate synergies, this objective has offered us the unique opportunity to analyze every aspect of our business to increase efficiencies and optimize operations, while focusing on where resources can be best utilized.

Enhancing our presence in the specialty segment

At Sun Pharma, we had embarked on a journey some years back to increase the share of complex generics and specialty products in our global portfolio. The overarching intent behind this is our objective of building a business, which can generate sustainable value for all our stakeholders. While we have covered some distance in this long journey, there are many milestones yet to be crossed to achieve this objective. In-licensing early-to-late stage clinical candidates, as well as getting access to on-market patented products are some of our initiatives in this journey.

Dermatology and Ophthalmic are the key segments targeted through these initiatives besides a few other segments.

Today, we are among the leading branded companies in the US dermatology segment driven by innovative products like Absorica, Kerastick and the Topicort range of products.

During the year, we took a step further towards strengthening this presence by entering into an exclusive worldwide in-licensing agreement for Merck's investigational therapeutic antibody candidate, tildrakizumab, (MK-3222), which is currently being evaluated in Phase 3 trials to treat chronic plaque psoriasis, a skin ailment.

Our joint venture with Intrexon Corporation for developing gene-based therapies for ocular diseases is also on-track.

Another key requirement of establishing a specialty business is having access to strong and capable talent. As a part of this objective, we have recently initiated the process of building specialty teams for MK-3222 and the ophthalmic segment in the US.

Global cGMP Compliance

Given the stringent cGMP requirements of global regulators, compliance to these standards has become a key determinant of future success for the pharmaceutical industry. In FY15, many of our manufacturing facilities underwent audits from multiple regulatory agencies. While most of these audits were satisfactory, the US FDA audit at our Halol facility pointed out certain cGMP deviations. We immediately initiated a detailed action plan to address these deviations and relevant remediation steps are currently ongoing. This remediation process has temporarily impacted our supplies and product approvals from this facility, which we expect to improve, once the entire remediation process is completed and the facility gets recertified.

The remediation process at the erstwhile Ranbaxy facilities, which were found to be non-compliant in the past, also continues as per plan. While significant efforts to make these facilities compliant are on, this will be a time-consuming process.

We remain committed to 24x7 cGMP compliance and are working with reputed global consultants to ensure that all our facilities remain compliant. We have also significantly strengthened our capabilities by recruiting global talent with strong expertise in quality and compliance.

Overall Outlook

We expect Sun Pharma to evolve as a company with an interesting mix of high-value complex generics and branded products, persistently working for patients across the world. This evolution will entail taking multiple initiatives, both organic and inorganic as well as taking higher risks. While not all of these initiatives may give the desired results, we are gearing up the Company to maximize the odds of succeeding and minimize the disruption due to failures. Our specialty strategy coupled with the benefits from the Ranbaxy merger and the targeted productivity improvements, should favorably impact our profitability in the long term.

In the long term, we are targeting growing faster than the respective markets in which we are present. Our capable and committed employees will be the key drivers of this growth. They have played a very crucial role in the Ranbaxy merger and I appreciate their efforts.

Lastly, I would like to thank all of you, our shareholders, for your continued support and confidence in us over the past many years.

Warm regards,

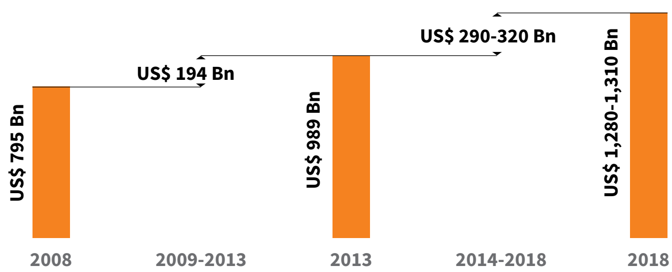
Dilip Shanghvi
Managing Director
Sun Pharmaceutical Industries Ltd.

MANAGEMENT DISCUSSION & ANALYSIS

Global Pharmaceutical Industry[1]

The global pharmaceutical market is estimated to reach US$ 1.3 trillion by 2018, growing at a CAGR of 4-7% (between 2014 and 2018), an increase of US$ 290-320 billion.

CHART 1: Global pharmaceutical spending and growth[2]

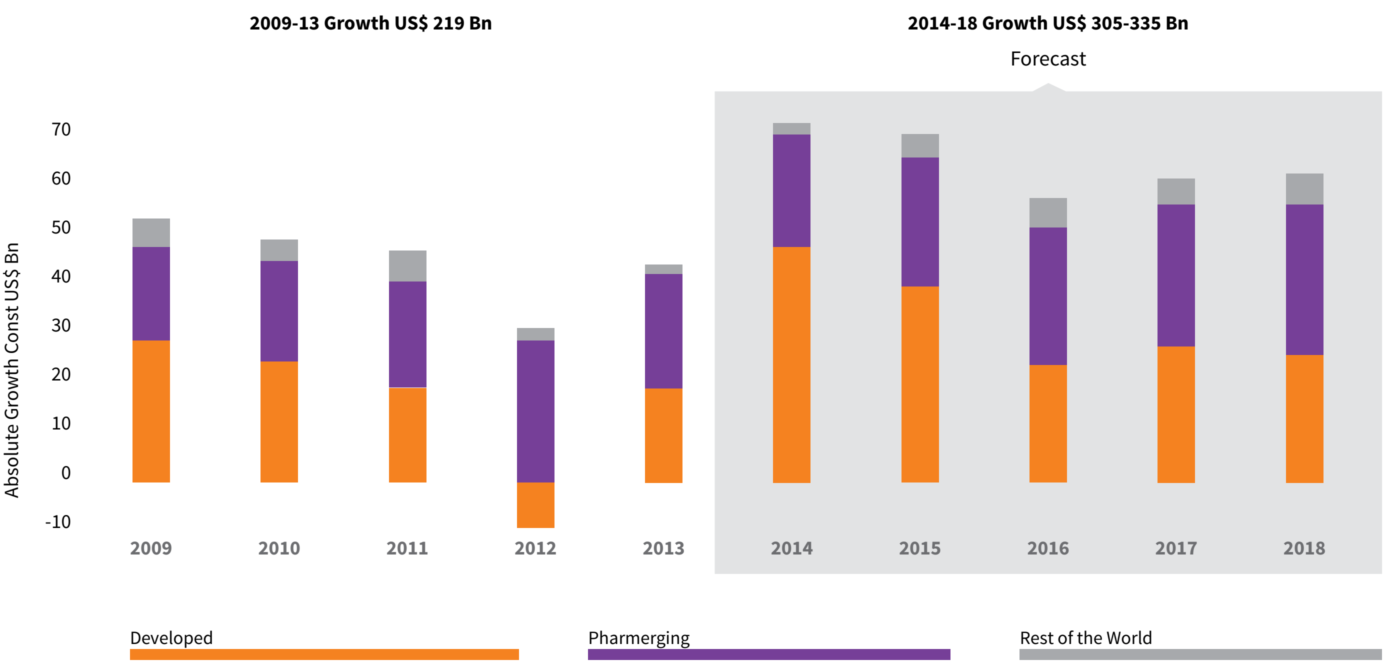


The growth of developed markets will be driven by the US, Japan and five major European markets (Germany, France, Italy, Spain and the UK). The contribution of pharmerging markets in the growth pie is expected to increase over the next five years; and account for nearly 50% of absolute growth in 2018.

The key growth drivers for the global pharmaceutical industry are the following:

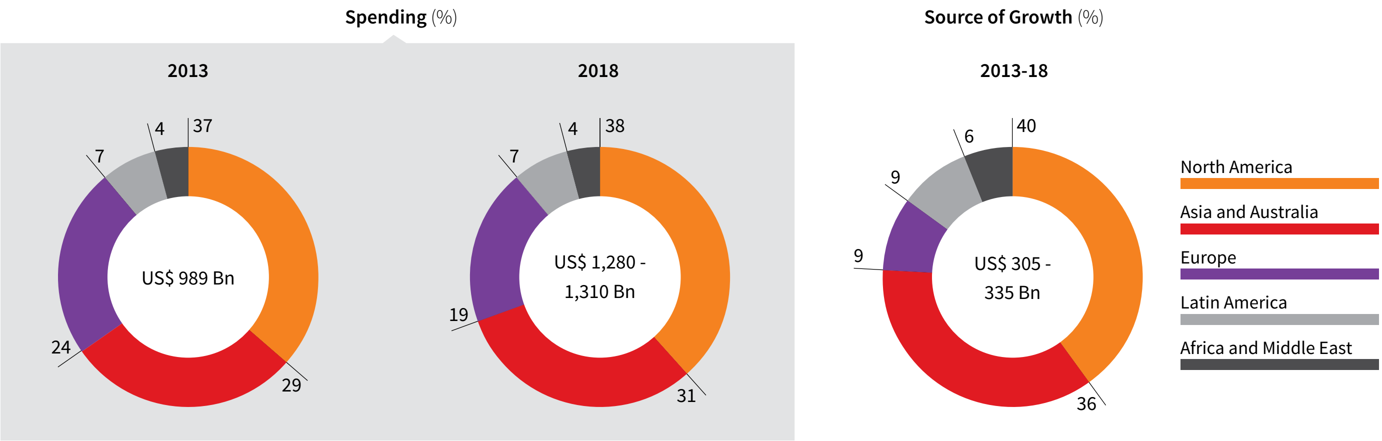
1. Rising share of emerging economies in global GDP
2. Aging population and rising life expectancy
3. Increasing access to modern healthcare
4. Improving healthcare awareness and improvement in medical practices

CHART 2: Spending distribution (Market-wise)[2]



R&D Centre

CHART 3: Spending distribution (Geography-wise)[2]



GLOBAL GENERICS

Generics are the largest driver of growth globally. Generic drugs take a much bigger market share in pharmerging countries, while branded drugs will continue to form almost two-thirds of global spending in the developed markets. Generics will account for over 50% of the incremental growth between 2013 and 2018.

Key drivers for demand for generic drugs include:

1. Aging global population
2. Pressure on global healthcare budgets
3. Patent expiries in developed markets
4. Increasing penetration of medicines in emerging markets

Global pharma industry - Growth drivers

Rising life expectancy[3]

Global life expectancy is projected to increase from an estimated 72.7 years in 2013 to 73.7 years by 2018. Much of the gain in life expectancy can be attributed to medical advancements, which further, would lead to enhanced need for pharmaceutical products.

Aging population[1]

The global population aged 65 and over will grow faster than any other age segment, and will account for almost 30% of overall population growth in the next five years (2014-2018). This will drive demand for pharmaceutical products.

Rising income of households[4]

Rising per capita income in emerging economies provide a healthy prospect for the pharmaceutical industry. Household incomes in emerging economies will jump by more than US$ 8.5 trillion between 2010 and 2020, accounting for nearly 60% of the global increase over this period, in real terms. Growth in incomes will directly increase consumption and demand, making medical services and healthcare facilities more affordable to the masses.

Improved healthcare access reforms

More than one billion people worldwide lack access to modern healthcare systems. Healthcare awareness has found the much required acceptance during recent times; following which several governments have announced subsidized health protection programs. Rising healthcare awareness means rising demand for pharmaceutical products.

Regulatory and technological advancements

As drug compositions become more and more complex, the pharmaceutical industry is evolving fast to become highly technological and regulated. The latest regulatory and technological requirements of the industry mandates considerable investments in building critical capabilities and also higher capital investments leading to market consolidation and greater headroom for large organized participants.

Growing incidence of chronic diseases

Aging population increases the necessity for more healthcare spending. Besides, chronic diseases continue to be the major factors for mortality worldwide, with developing nations suffering from high levels of public health problems related to chronic diseases. As per WHO projections, by 2020, chronic diseases will account for almost three-quarters of all deaths worldwide.

CHART 4: Therapy area-wise spending in 2018[5]

Top 20 Classes **73%** | Others **27%**

Developed Markets	Sales in 2018 (US$)	CAGR 2014-18 (%)
Oncologics	US$ 71-81 Bn	7-10
Diabetes	US$ 61-71 Bn	12-15
Autoimmune	US$ 47-52 Bn	12-15
Pain	US$ 38-43 Bn	0-3
Respiratory	US$ 33-38 Bn	1-4
Mental Health	US$ 33-38 Bn	1-4
Hypertension	US$ 27-30 Bn	(-4)-(-1)
Dermatology	US$ 22-25 Bn	5-8
Cholesterol	US$ 21-24 Bn	(-1)- 2
HIV Antivirals	US$ 21-24 Bn	3-6
Viral Hepatitis	US$ 21-24 Bn	36-39
Anticoagulants	US$ 20-23 Bn	17-20
Other CNS	US$ 19-22 Bn	5-8
Immunosuppressants	US$ 16-19 Bn	11-14
Antibiotics	US$ 15-17 Bn	(-3)-0
Antiulcerants	US$ 14-16 Bn	(-5)-(-2)
Vaccines	US$ 13-15 Bn	1-4
Other cardiovascular	US$ 12-14 Bn	1-4
Immunostimulants	US$ 10-12 Bn	(-1)-(-2)
ADHD	US$ 7-9 Bn	(-3)-0

Top 20 Classes **54%** | Others **46%**

Pharmerging Markets	Sales in 2018 (US$)	CAGR 2014-18 (%)
Pain	US$ 19-22 Bn	8-11
Antibiotics	US$ 18-21 Bn	1-4
Hypertension	US$ 16-19 Bn	9-12
Oncologics	US$ 12-14 Bn	12-15
Diabetes	US$ 11-13 Bn	10-13
Other cardiovascular	US$ 10-12 Bn	7-10
Antiulcerants	US$ 10-12 Bn	13-16
Dermatology	US$ 9-11 Bn	9-12
Cholesterol	US$ 8-10 Bn	18-21
Mental Health	US$ 5-7 Bn	7-10
Respiratory	US$ 4-6 Bn	7-10
Immunostimulants	US$ 4-6 Bn	12-15
Other CNS	US$ 3-5 Bn	8-11
Viral Hepatitis	US$ 3-5 Bn	20-23
Antiplatelets	US$ 3-4 Bn	10-13
Women Health	US$ 2-3 Bn	5-8
Nasal Preps	US$ 2-3 Bn	8-11
Anticoagulants	US$ 2-3 Bn	14-17
Erectile Dysfunction	US$ 1-2 Bn	5-8
Immunosuppressants	US$ 1-2 Bn	10-13

Traditional   Specialty

Specialty therapies are defined by IMS as products that are often injectable, high-cost, biologic or requiring cold-chain distribution

Outlook[1]

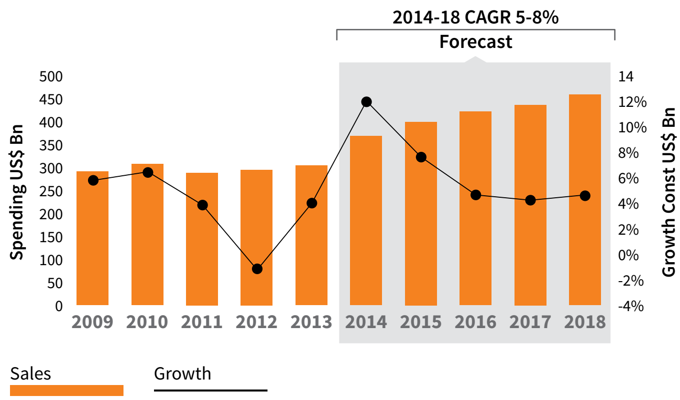
Demographic trends will be a significant driver of global demand for pharmaceuticals in the next five years. Increase in diagnosis and treatment of chronic conditions and an aging population will drive pharmaceutical demand in developed markets. In emerging markets, population growth, coupled with improved access to healthcare and rising per capita income will drive demand.

Developed markets: Pharmaceutical spending in the developed markets stood at approximately US$ 620 billion in 2013. It is estimated to grow at a compound annual growth rate (CAGR) of 3-6% during 2014-2018 to reach US$ 766-796 billion by 2018. Among the developed markets, the US will see the largest per capita spending increase from 2013 to 2018. Growth in the developed markets of Europe will be mixed as growth in some of the markets will be moderated by implementation of policies to control overall healthcare budget.

USA: It is the world's largest pharmaceutical market, with pharmaceutical spending at US$ 340.0 billion in 2013. It is estimated to grow at a CAGR of 5-8% during 2014-18 to reach US$ 450-480 billion by 2018.

Growth will be mainly driven by the launch of innovative specialty products and lower impact from patent expirations. The implementation of the Affordable Care Act may have a positive impact on demand for medicines, but may increase pressure on payers who fund medicine consumption.

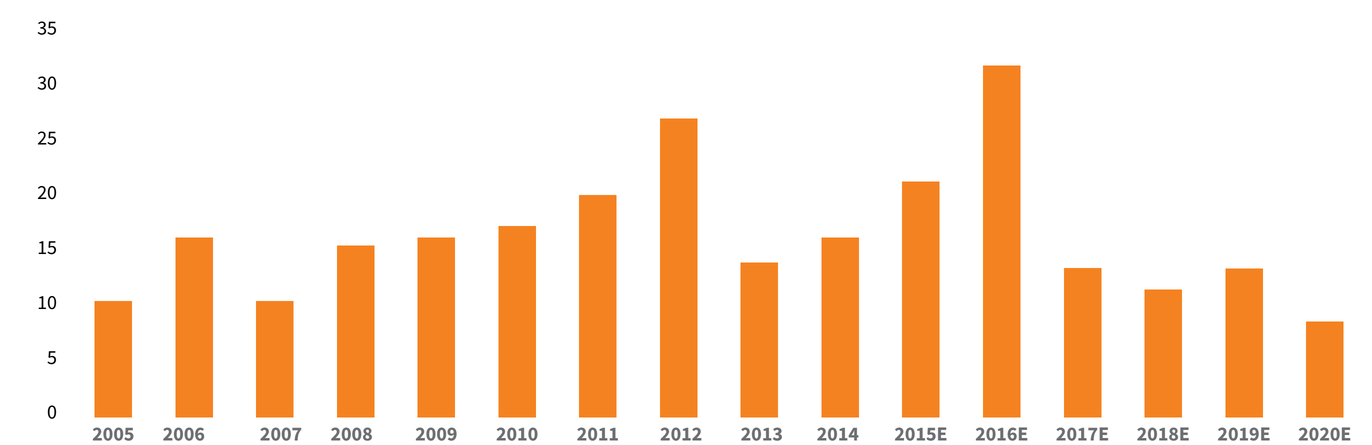
CHART 5: USA pharmaceuticals spending growth[2]



Patent expiries

After hitting a peak in 2012, patent expiries in the US have normalized to more moderate levels. Drugs going off-patent contribute to incremental growth of the US generic market. With reducing patent expiries, global generic companies are focusing more on transitioning to specialty companies with a pragmatic mix of generics and specialty products.

CHART 6: Patent expiry trend (US$ billion)[10]

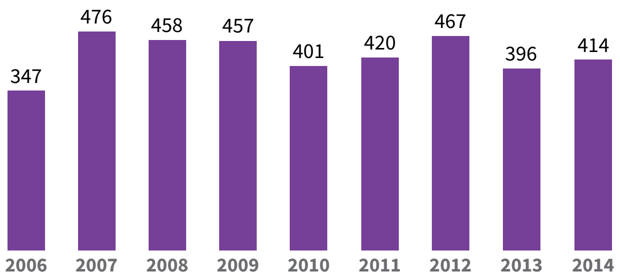


E - Estimates

ANDA approvals

The US FDA is targeting improvement in Abbreviated New Drug Application (ANDA) approval timelines under the Generic Drug User Fee Amendments (GDUFA) guidelines. By 2017, it intends to act on 90% of completed ANDA applications within 10 months of submission. This should increase the pace of new approvals by 2017. However, the rate of ANDA approvals over the past few years has not witnessed any significant change as yet.

CHART 7: ANDA approvals (Nos.)[10]



EU5: The EU5 (Germany, France, Italy, Spain and the UK) markets are gradually emerging out of recession. However, in most of these markets, healthcare budgets remain under pressure. This may lead to measures for further price reductions, but will also encourage more shift towards generics from branded products.

The pharmaceutical spending for these markets stood at approximately US$ 156 billion in 2013; and it is estimated to grow at a CAGR of 1-4% during 2014-2018 to reach US$157-185 billion by 2018.

TABLE 1: EU5 pharmaceutical spending growth[2]

	Market Value by 2018 (US$ billion)	CAGR Growth, 2014-18 (%)
Germany	48-58	2-5
France	30-40	(-2)-1
Italy	28-36	2-5
Spain	20-26	(-1)-2
UK	27-37	4-7

Japan: Japan's pharmaceutical spending stood at approximately US$ 94 billion in 2013. It is estimated to grow at a CAGR of 1-4% during 2014-2018 to reach US$ 99-114 billion by 2018. Innovative medicines will be a key driver of growth. Moreover, as the overall population is expected to decline, the number of retirees — already accounting for a quarter of all patients in Japan — continues to increase and is expected to drive up demand for medicines.

Pharmerging markets: Pharmaceutical spending in the pharmerging markets stood at approximately US$ 243 billion in 2013. It is estimated to grow at a CAGR of 8-11% during 2014-2018 to reach US$ 358-388 billion by 2018. Spending on medicines in pharmerging economies, especially those in Asia will be bolstered by a combination of rapid population growth due to falling infant mortality rates and increased longevity, along with improved access to healthcare and increasing per capita income.

TABLE 2: Pharmerging markets - Pharmaceutical spending[2]

	Market Value by 2018 (US$ billion)	CAGR Growth, 2014-18 (%)
Tier 1 - China	155-185	10-13
Tier 2	88-98	9-12
Brazil	36-46	9-12
Russia	20-30	7-10
India	21-31	9-12
Tier 3 Markets	95-125	5-8

(Pharmerging markets: China, Brazil, Russia, India, Venezuela, Poland, Argentina, Turkey, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan, Ukraine, Algeria, Colombia, Nigeria, Saudi Arabia and Russia)

R&D Centre

Global consumer healthcare industry[6]

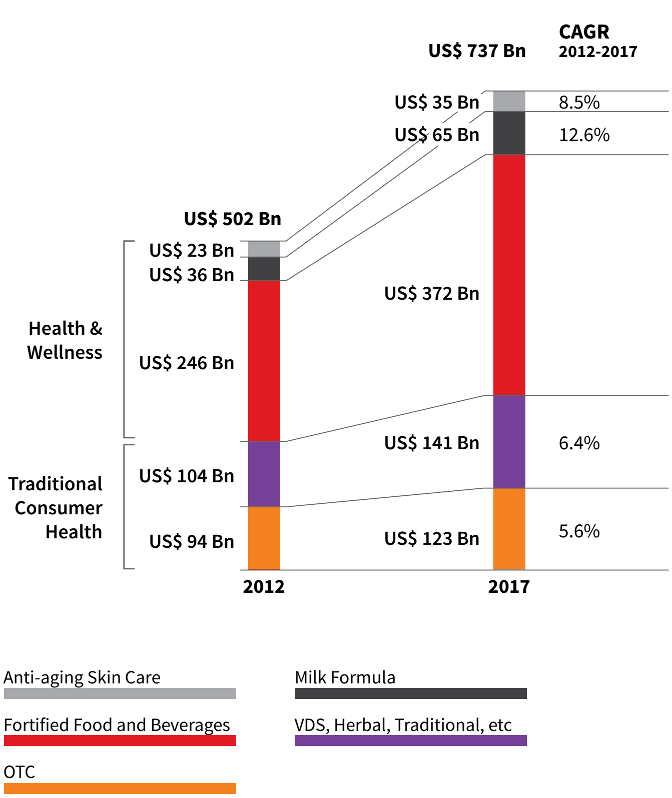
The global consumer healthcare market is expected to register 8% CAGR to touch US$ 737 billion by 2017 from US$ 502 billion in 2012.

The growth will primarily be driven by preventive health and wellness categories, such as vitamins, nutrition, weight management and fortified foods and beverages; and spurred on by demand from digitally-enabled, health-conscious consumers and the growing wealth of emerging market consumers.

About 12% (US$ 29 billion) of this growth will be contributed by OTC products (pain, cough/cold/ stomach remedies, among others). The remaining 88% (US$ 206 billion) growth will be accounted from related categories (vitamins and dietary supplements, nutrition, fortified foods and beverages).

Empowered by growing access to information and technology-enabled devices, the digitally enabled consumers of today want to be stakeholders in their own health and wellness. Consumers are realizing they have to take a more active role in managing their health as the industry moves towards improved health outcomes and payers are incentivizing healthier lifestyles.

CHART 8: Consumer health market 2012-2017[6]



Active Pharmaceutical Ingredients (API)[7]

The global API industry is expected to grow at a CAGR of 9.4% from 2013-2018. The global API market is witnessing good growth. This momentum is expected to continue considering patents expiring in the US and Europe, growth in emerging market and increasing demand for essential drugs.

Indian pharmaceutical industry[1, 8]

India's pharmaceutical market accounts for about 1.4% of the global pharmaceutical industry in value terms and 10% in volume terms. It is the fourth largest market among pharmerging markets after China, Brazil and Russia. The market is estimated to grow at 9-12% CAGR to US$ 21-31 billion between 2013 and 2018. Its global ranking is expected to improve from 13th position to 11th position during this period.

The key drivers of growth include:

1. Rising healthcare awareness leading to an increase in spending on medicines
2. Changing life-styles leading to growing incidence of chronic ailments
3. Improving health insurance coverage driven by various measures being planned/implemented by the Indian government to bring 80% of the population under health insurance cover
4. Increased access to modern medicines driven by rapid urbanization

INDUSTRY CHALLENGES

The key challenges for the Indian pharmaceutical industry include the following:

- Ensuring 24x7 compliance with global cGMP standards; this will involve continuous improvement in systems and processes as well as training of the workforce
- Government-mandated price controls on pharmaceutical products
- Consolidation among customers in the US market
- Increasing competition from smaller new entrants

Sun Pharmaceutical Industries Limited

Sun Pharma is a leading global specialty generic and India's top pharmaceutical company. A vertically integrated business, economies of scale and an extremely skilled team enable it to deliver quality products in a timely manner at affordable prices. It provides high-quality, affordable medicines trusted by customers and patients in over 150 countries, globally.

>150
Markets served

48
Manufacturing facilities across six continents

>30,000
Employees worldwide

>2,000
Products marketed

Largest
Indian pharmaceutical company in emerging markets

5th
Largest generic pharmaceutical company in the US

US$ 4.5 billion
Global revenue for year ended 31st March, 2015

No. 1
Rank by prescriptions with 13 different doctor categories in India

Sun Pharma's global presence is supported by 48 manufacturing facilities spread across six continents, R&D centers across the globe and a multi-cultural workforce comprising over 50 nationalities.

Sun Pharma is the largest Indian company in the US with strong presence in the generics market and an expanding presence in the branded market. It has a wide basket of 159 products pending approval for the US market consisting of a pragmatic mix of complex, patent challenge and normal generic products. In India, the Company enjoys prescription leadership across 13 different classes of doctors with 30 brands featuring among top 300 pharmaceutical brands in India. Its footprint across emerging markets covers over 100 countries and all the important markets in Western Europe.

Its global consumer healthcare business is ranked among top 10 across four global markets. Its API business footprint is strengthened through 12 world-class API manufacturing facilities worldwide.

LONG-TERM GROWTH STRATEGIES

Sun Pharma focuses on building a sustainable business model for driving the long-term growth of the organization. The model encompasses four most-critical business aspects, which can be continuously streamlined to achieve higher efficiencies:

Creating sustainable revenue streams
- Enhancing share of speciality business globally
- Achieving differentiation by focusing on technically complex products
- Focusing on key markets –achieving critical mass
- Improvising speed to market
- Ensuring sustained compliance with global regulatory standards

Business development
- Using acquisitions to bridge critical capability gaps
- Focusing on access to products, technology and market presence
- Ensuring acquisitions yield high return on investment
- Focusing on payback timelines

Cost leadership
- Vertically integrated operations
- Optimize operational costs

Balance profitability and investments for future
- Increasing contribution of speciality and complex products
- Future investments directed towards differentiated products

Ohm Laboratories Inc.

BUSINESS SEGMENTS

- US Business
- Indian Branded Generics Business
- Emerging Markets
- Western Europe, Canada, Australia, New Zealand and Other Markets
- Global Consumer Healthcare Business
- Active Pharmaceutical Ingredients (APIs)

TABLE 3: Sun Pharma - Key acquisitions

Year	Deals	Country	Rationale
2015	Sun Pharma – Ranbaxy merger	Global markets	5th largest global specialty generic pharma company, No.1 pharma company in India and strong positioning in emerging markets
2015	Acquisition of GSK's Opiates business	Global markets	Vertical integration for controlled substances business
2014	In-licensing agreement with Merck for MK-3222, a biologic for psoriasis	Global markets	Strengthening the specialty product pipeline
2014	Acquired Pharmalucence	US	Sterile injectable capacity in the US, supported by strong R&D capabilities
2013	Formation of Sun-Intrexon JV	Global markets	JV for ocular therapies
2013	Acquired URL's generic business	US	Adds 107 products to the US portfolio
2012	Acquired DUSA Pharma, Inc.	US	Access to branded dermatology product
2011	Formation of Sun-MSD JV	Emerging markets	Develop and commercialize technology based combination products
2010	Acquired Taro Pharmaceutical Industries Ltd.	Israel	Access to dermatology and topical product development and manufacturing capabilities
2008	Acquired Chattem Chemicals, Inc.	Tennessee, US	Import registration with DEA, API plant approved by DEA in Tennessee, US
2005	Assets of Able Labs Formulation plant in Bryan	US	Dosage form plant (NJ, US) and IP Dosage form plant (Ohio, US)
1997	Acquired Caraco	Detroit, US	Entry into the US market

Top Spray Granulator

RANBAXY ACQUISITION - ONE PLUS ONE IS GREATER THAN TWO

Sun Pharma completed the acquisition of Ranbaxy Laboratories Limited – an integrated, research based, international pharmaceutical company in March 2015.

The combined entity will capitalize on the expanded global footprint and the enhanced positioning in the specialty generics landscape. The merger fortified Sun Pharma's position as the world's fifth largest specialty generic pharmaceutical company and the top ranking Indian pharmaceutical company with significant lead in market share.

The combined entity's manufacturing footprint covers six continents with products sold in over 150 nations with a stronger presence in the US, India, Asia, Europe, South Africa, CIS and Russia and Latin America. Sun Pharma now offers a large basket of specialty and generic products encompassing a broad range of chronic and acute prescription drugs, as well as undertakes proactive forays into global consumer healthcare markets.

5th
Largest global generics player (for 12 months ended December 2014)

#1
US supplier of generic dermatology products

Leading
Specialty chronic company in India

Largest
Indian company in emerging markets

#1
In Indian pharma market

#1
In 13 doctor categories by prescriptions in India

30 Brands
In Top 300 Indian pharma brands

3rd
Largest US branded dermatology company

TOP 10
Consumer healthcare company in India and select RoW markets

Sun Pharma has identified the following key priority levers to drive growth in the combined entity:

- Achieving 100% compliance to global cGMP standards in line with regulator expectations
- Increasing R&D productivity and introduce innovative products to increase the share of value-added products
- Enhancing presence in the specialty segment, especially in the US market
- Targeting strong business growth across the US, India and rest of the world markets
- Target synergy benefits of US$ 300 million by FY18 from the Ranbaxy acquisition

The integration will emphasize on productivity enhancement, aligning best functional requirements and employee talents in the combined entity. This merger strengthened Sun Pharma's foundation with a strong and multi-cultural team of over 30,000 people representing over 50 global cultures making the combined entity a truly global corporation in spirit and scale.

Sun Pharma is working with global consultants assisting its internal teams to achieve the above objectives. It has formalized an operational blueprint for realizing its US$ 300 million synergy target by FY18 through significant value creation across functions. The integration will cover all functions and markets globally.

Leading the integration process will be Sun Pharma's leadership team comprising members from Sun Pharma and Ranbaxy. This team draws upon the expertise, collective industry experience and proven track record of Sun Pharma and Ranbaxy. The leadership team is also responsible for leading Sun Pharma's next phase of growth as it deepens penetration into existing markets, while the merger enables it to enter new therapies and markets.

The combined entity's leadership structure design was guided by the following factors:

- Allow focus on priority areas and institutionalize imperatives in R&D and quality
- Support strong and sustainable revenue growth across the US, India and rest of the world
- Promote learning through best practices of Sun Pharma and Ranbaxy
- Create opportunities for talent to grow together
- Minimize disruptions by undertaking modification only in case of clear benefits

The combined entity comprises best intellectual capital, capability of nearly 2,000 scientists and the ability to invest significantly in R&D. The focus of R&D investments will be to harness multiple capabilities and technologies for developing complex products in addition to the combined entity's core business of offering affordable generic medicines. The combined entity will continue developing innovative and complex generics that have technical differentiators.

Post-merger, Daiichi Sankyo, which had 8.9% equity stake in Sun Pharma, decided to divest its investment in the Company. Daiichi Sankyo indicated that it undertook the divestment to enhance its own corporate value.

Tablet Imprinting Machine

Consolidated Key Financial Indicators

Net Sales (₹ Million)

FY15	272,865
FY14	160,044

EBITDA (₹ Million)

FY15	78,166
FY14	71,140

EBITDA = Net Sales - (Material Cost + Staff Cost + Other Expenses)

Profit After Tax (₹ Million)

FY15	45,394
FY14	31,415

Adjusted Earning per Share (post exceptional items) (₹)

FY15	18.9
FY14	13.1

Book Value per Share (₹)

FY15	106.5
FY14	89.4

Market Capitalization (US$ Billion as of 31st March)

FY15	35
FY14	20

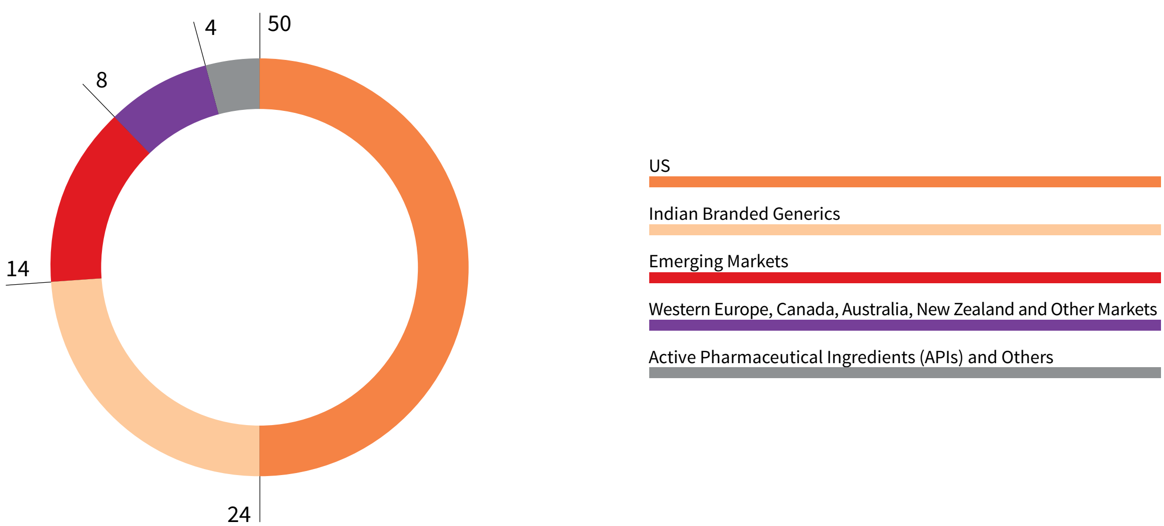
Net Worth (₹ Million)

FY15	256,231
FY14	185,249

Gross Block (₹ Million)

FY15	167,059
FY14	86,505

CHART 9: Business-wise Revenue Share in FY15 (%)



API Plant

FY15 operational highlights

The financials for FY15 include the full year impact of the Ranbaxy acquisition and hence are not strictly comparable to the financial numbers for FY14.

- Consolidated revenue from operations for FY15 grew 70% over FY14 to ₹ 277,178 million, while EBITDA increased 10% to ₹ 78,166 million. The revenue increase was primarily due to the acquisition of Ranbaxy, whose results were consolidated with effect from 1st April, 2014. It increased the total revenue substantially and also the proportion of revenues derived from international markets.

- **Taro:** Taro reported good performance, despite increasing competition. For FY15, Taro's revenues grew by 14% to US$ 863 million, while EBITDA grew by 22% to US$ 545 million. EBITDA margins expanded by over 400 bps to 63.1% for the year. Taro's net profit for FY15 increased by 34% to US$ 484 million. The good performance was catalyzed primarily by favorable sale prices throughout the year, which also witnessed a gradual increase in competition for certain products. The competition for some of Taro's products may intensify in the future.

- **Ranbaxy acquisition:** In April, 2014, Sun Pharma announced the acquisition of Ranbaxy in one of India's largest M&A transactions. The acquisition was structured as an all-stock deal, wherein Ranbaxy shareholders received shares of Sun Pharma in the ratio of 0.8 share of Sun Pharma for each share of Ranbaxy. The transaction achieved closure in March, 2015 post the receipt of all regulatory approvals in relevant markets.

- **Manufacturing consolidation:** In May, 2014, the Company announced the closure of its Detroit (USA) facility as a part of its manufacturing consolidation. All relevant products, which were being manufactured at this facility were shifted to Sun Pharma's other facilities.

- **Strengthening injectable capability in the US:** In July, 2014, Sun Pharma announced the acquisition of Pharmalucence Inc. (USA). This acquisition provides the Company access to sterile injectable facility supported by strong R&D capabilities.

- **Enhancing the specialty pipeline:** In September, 2014, Sun Pharma and Merck & Co. Inc. entered into an exclusive worldwide licensing agreement for Merck's investigational therapeutic antibody candidate, tildrakizumab, (MK-3222), which is currently being evaluated in Phase 3 trials to treat chronic plaque psoriasis, a skin ailment. Under the terms of the agreement, Sun Pharma acquired worldwide rights to tildrakizumab for use in all human indications from Merck in exchange for an upfront payment of US$ 80 million, milestone payments and tiered royalties. Merck will continue all clinical development and regulatory activities, which will be funded by Sun Pharma. Upon final approval for the product, Sun Pharma will be responsible for all subsequent activities. Another such step towards enhancing the specialty portfolio was the in-licensing of Xelpros (Latanoprost BAK-free) for the US market, from Sun Pharma Advanced Research Company Ltd (SPARC) in June, 2015.

- **Strengthening presence in controlled substances:** In March, 2015, the Company entered into an agreement with GSK to acquire the latter's Opiates business in Australia, along with two manufacturing facilities. The acquisition provides Sun Pharma access to a product portfolio consisting of poppy-derived Opiate raw materials that are primarily used in the manufacture of analgesics for the treatment of moderate to

API Plant

severe pain. The global Opiates market holds good potential and the addition of GSK's Opiates business will strengthen the Company's positioning further. The acquisition is a part of strategy towards building our portfolio of Opiates and accessing strong capabilities in this segment. This acquisition is likely to close in August, 2015 and will contribute to Sun Pharma's financials for part of FY16.

- **In-licensing patented product for India business:** In June, 2015, Sun Pharma and AstraZeneca Pharma India Limited (AZPIL) entered into a distribution services agreement in India for AstraZeneca's brand 'Axcer®', a new brand of ticagrelor, a drug used to treat acute coronary syndrome (ACS). It strengthens Sun Pharma's cardiology portfolio with the addition of a new patented therapy.

Outlook

- **Investing for future:** Sun Pharma continues to strengthen and build leadership position in key markets and business segments. As a part of the focus towards enhancing share of specialty/branded business and targeting differentiated product offerings, the ophthalmic and OTC teams in the US have been strengthened. A dedicated team for MK-3222, the IL-23 anti-body, which is currently undergoing Phase-III clinical trials is also being formed. Significant resource allocation to R&D will continue in order to strengthen the specialty pipeline including patented products and complex generics. This will entail increased R&D investments including that for the development of MK-3222.

- **Global compliance:** A key priority will be to ensure continued 24x7 cGMP compliance by continuously enhancing systems, processes and human capabilities to meet global regulatory standards at all manufacturing facilities. As a part of this process and to address the cGMP deviations at its Halol facility, the Company has undertaken various remedial measures. These remedial measures have resulted in supply constraints for some of the products. The remedial action at the Mohali, Dewas, Poanta Sahib and Toansa facilities is on track.

- **Ranbaxy integration:** The Company has commenced the integration of Ranbaxy from March 2015. As a part of the integration process, the Company expects to incur certain integration charges in order to generate long-term synergies from this merger. Also, as a part of the integration process, the Company may decide to discontinue certain non-strategic businesses.

- **FY16 outlook:** The factors indicated above are likely to adversely impact the overall revenues and profits of the Company for FY16, with consolidated revenues expected to remain flat or show a decline over FY15. Consolidated profits for FY16 may be adversely impacted due to lower revenues and due to certain expenses/charges arising out of Ranbaxy integration as well as remedial actions.

- **Long-term outlook:** Post the consolidation in FY16, the Company will be better placed to pursue higher than industry growth in subsequent years. The above initiatives will help the Company revert to a more sustainable growth trajectory.

Sun Pharma is a leading pharmaceutical company in the US generics market. It is the largest generic dermatology company and the 3rd largest branded dermatology company in the US. The Company's key focus areas include dermatology, oncology, controlled substances and ophthalmics, among others. It is one of the few global companies to have farm-to-market capabilities for controlled substances. It has firmly established itself as the No. 1 supplier of generic dermatology products in the US.

The Company has significant presence in generics, branded and OTC segments, with integrated manufacturing facilities. It has the flexibility to manufacture products, both onshore and offshore. As of 31st March, 2015, a total of 159 ANDAs were pending US FDA approval, including a combination of complex generics, Para-IV opportunities and pure generics. Efforts to strengthen Taro's R&D pipeline gained further momentum during the year. As of 31st March, 2015, Taro had a pipeline of 35 ANDAs awaiting US FDA approval, compared to 27 ANDAs a year back.

US business milestones

FY98
Entered the US through Caraco acquisition

FY98-FY10
Ramp-up in the US business

FY08 onwards
Launched many complex generics and few FTFs

FY10
Acquired Taro Pharma – Entered into the dermatology market

FY13
Acquired DUSA – Entered into the branded specialty market
Acquired URL's generic business

FY14
Acquired Pharmalucence – Gives access to sterile injectables capability

FY15
Expanded presence in the US due to the addition of Ranbaxy's US business

Business segment review

US BUSINESS

50 %
Revenue contribution

₹ 137,195 million
Revenue from division

438
Cumulative ANDAs approved

597
Cumulative ANDAs filed

Divisional highlights, FY15

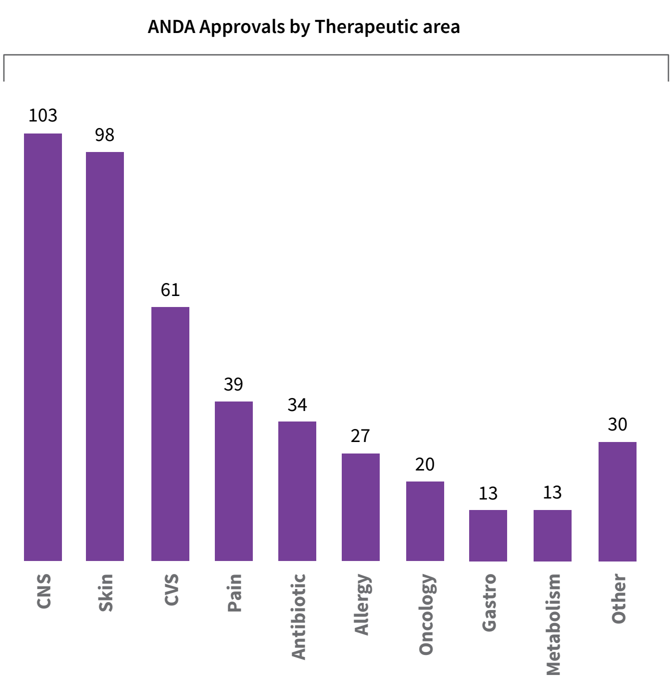
- Revenue from the US generics increased by 40% to ₹ 137,195.5 million in FY15. This increase was primarily due to the acquisition of Ranbaxy's US operations, partially offset by the on-going supply constraints at the Halol facility. These supply constraints are a result of the on-going remediation process at the Halol facility for addressing the cGMP deviations, which were pointed out by the U.S. FDA, during their inspection of this facility in September 2014.
- Revenue contribution from the US generics declined from 60% in FY14 to 50% in FY15, primarily due to Ranbaxy's acquisition.

Future Focus

- Enhancing share of specialty/branded business
- Continue to focus on complex generics and high entry barrier segments
- Ensure broad product offerings to customers across multiple dosage forms
- Gain critical mass in key therapeutic segments

Scientists at a Quality Control Lab

CHART 10: ANDA pipeline



In India, Sun Pharma is the market leader in the chronic segment and offers a complete therapy basket with specialization in technically complex products. Among the country's top 300 pharmaceutical brands, Sun Pharma owns 30 brands – the highest by any single pharmaceutical company.

In India, Sun Pharma operates a strong 9,000+ marketing force, which promotes products to over 600,000 doctors across the country. The field force has well-trained sales representatives with a strong track record of performance.

Divisional highlights, FY15

- Revenue from Indian branded generics increased by 82% to ₹ 67,165.9 million in FY15. It was primarily due to the acquisition of Ranbaxy's India operations and increase in sales of the existing chronic illness pharmaceuticals products.
- Revenue contribution from Indian branded generics increased slightly from 23% in FY14 to 24% in FY15. Over 16 products were launched in the Indian market in FY15.

Ranbaxy's acquisition has further enhanced Sun Pharma's position in the Indian market. It became the largest player in India with 8.9% market share and No. 1 ranking by prescriptions with 13 different doctor categories.

Vial Labelling

INDIAN BRANDED GENERIC BUSINESS

24 %
Revenue contribution

₹ 67,166 million
Revenue from division

#1
Ranked in Indian pharmaceutical industry, with 8.9% market share

#1
Ranked by prescriptions with 13 different classes of doctors

CHART 11: Therapeutic revenue break-up[9] (%)

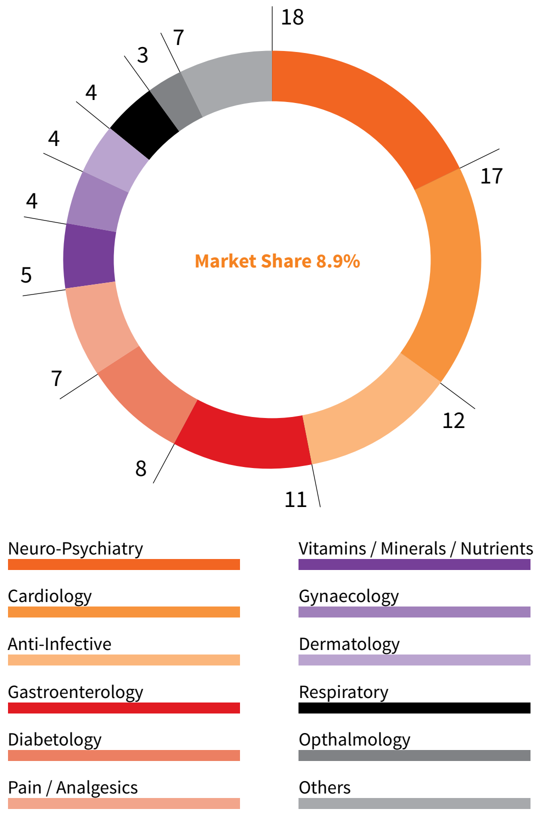


TABLE 4: Leadership in key therapeutic areas[11]

Doctor Category	Prescription Rank (pre Ranbaxy acquisition as of October, 2014)	Doctor Category	Prescription Rank (post Ranbaxy acquisition as of June, 2015)
Psychiatrists	1	Psychiatrists	1
Neurologists	1	Neurologists	1
Cardiologists	1	Cardiologists	1
Orthopaedic	1	Orthopaedic	1
Ophthalmologists	1	Ophthalmologists	1
Gastroenterologists	1	Gastroenterologists	1
Nephrologists	1	Nephrologists	1
Diabetologists	2	Diabetologists	1
Consulting Physicians	5	Consulting Physicians	1
Dermatologists	6	Dermatologists	1
Urologists	6	Urologists	1
Chest Physicians	5	Chest Physicians	1
Oncologists	8	Oncologists	1

Improved rankings due to Ranbaxy acquisition

Future Focus

- Improve productivity of Indian business
- Maintain leadership position in a fiercely competitive market
- Continuously innovate to ensure high brand equity with doctors
- Continue to evaluate in-licensing opportunities to access latest generation products

Dissolution testing in Quality Control Lab

API Plant

EMERGING MARKETS

14%

Revenue contribution

100+

Presence across emerging markets

₹ 37,326 million

Revenue from division

The Company has an extensive basket of branded products, and it maintains a strong relationship with doctors and medical practitioners in the emerging markets. After Ranbaxy's acquisition, the Company's international footprint across emerging markets has increased significantly. It has 11 manufacturing facilities across various countries in emerging markets.

A team of over 2,300 sales representatives cross-sell products of Sun Pharma as well as Ranbaxy, catering to the demands for the products from both the portfolios.

Divisional highlights, FY15

- Sun Pharma's presence in emerging markets expanded significantly due to Ranbaxy's acquisition. The sales of emerging markets increased by 260% to ₹ 37,326 million in FY15, but were partly moderated by currency volatility in few markets of this region.
- Revenue contribution from emerging markets increased to 14% in FY15.

Future Focus

- Gain critical mass in key emerging markets
- Enhance product basket and market presence
- Focus on improving business profitability

SUN PHARMA

REST OF WORLD - WESTERN EUROPE, CANADA, ANZ AND OTHER MARKETS

8%

Revenue contribution

₹ 23,320 million

Revenue from division

Market presence

Across Western Europe, Canada, ANZ and Other Markets

Sun Pharma has a strong presence across all major markets in Western Europe, Canada, ANZ and few other markets. Across these geographies, the Company offers a wide range of products, including injectable and hospital products, as well as products for retail market. Development and commercialization of complex generics and differentiated products are the primary focus areas to drive sustainable and profitable growth. The Company has adopted a distribution-led business model to penetrate deep into the market. It caters these markets through manufacturing plants at Canada, Hungary, Ireland and India.

Divisional highlights, FY15

- Revenue in Rest of World (RoW) markets increased significantly by 166% to ₹ 23,320 million in FY15, primarily driven by Ranbaxy's acquisition. Revenue contribution from this geographic region increased to 8% in FY15.

Future Focus

- Improve profitability in developed European markets
- Focus on differentiated product offerings to ensure sustained profitability

ACTIVE PHARMACEUTICAL INGREDIENTS (API) BUSINESS

4%

Revenue contribution

₹ 10,702 million

Revenue from division

12

API manufacturing units

270

DMF/CEP approvals

396

DMF/CEP filings

Sun Pharma manufactures over 300 APIs across 12 locations. Around 25 APIs are added to the Company portfolio annually. The Company focuses on backward integration to harness cost competitiveness and strengthen supply reliability. Moreover, large generic and innovator companies comprise the clientele for the Company's API business.

Divisional highlights, FY15

- Revenue from APIs and other sources increased by 31% to ₹ 10,701.7 million in FY15. This increase was primarily due to the acquisition of Ranbaxy's business. Revenue contribution from this division decreased slightly from 5% in FY14 to 4% in FY15.
- The India-based manufacturing facilities have dedicated units for peptides, anti-cancer, steroids and sex hormones. The API facility in Tennessee, USA has the capability to manufacture controlled substances. The acquisition of GSK's Opiates business in Australia will add two more facilities, capable of manufacturing Opiate raw materials. This will help the Company achieve strong backward integration in this important product segment.

Future Focus

- Ensure backward integration and supply reliability to drive long-term competitiveness of the formulations business
- Focus on developing and sustaining long-term supply relationships with global customers

Bottle Packing Line

GLOBAL CONSUMER HEALTHCARE BUSINESS

14
Key brands

2,500+
Distributors and sales representatives in India

5
Core markets (India, Russia, Romania, Nigeria and Myanmar)

4
Growth markets (Ukraine, Poland, South Africa and Sri Lanka)

100,000+
Outlets in India

5
Category brand leaders

10,000+
Retail pharmacies across Russia

7,000
Pharmacies across Romania

Sun Pharma ranks among the top 10 consumer healthcare companies in India. Globally, the Company operates in about 20 countries, of which the core markets comprise India, Russia, Romania, Nigeria and Myanmar. Ukraine, Poland, South Africa and Sri Lanka hold out significant growth opportunities for the Company.

Sun Pharma is represented by a dedicated sales force in every market. Also, the Company, ranks among the top 10 consumer healthcare companies in India, Romania, Nigeria and Myanmar.

RESEARCH AND DEVELOPMENT

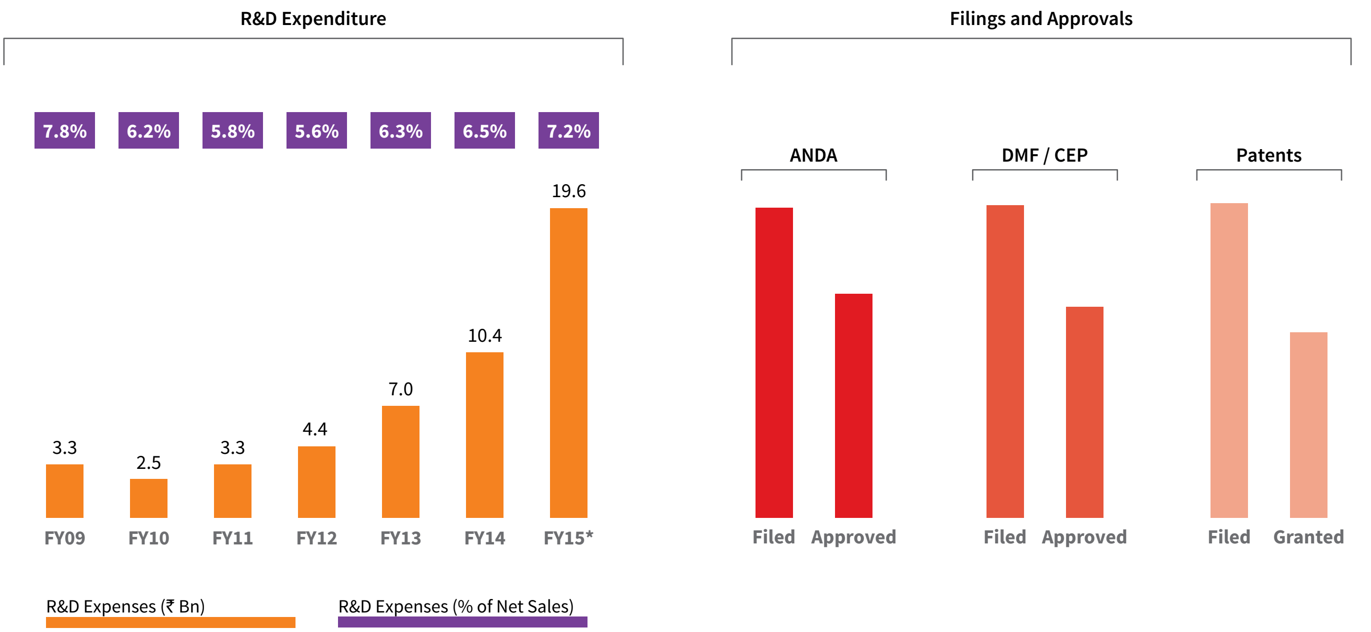
Being one of the world's leading pharmaceutical companies, Sun Pharma has consistently invested in Research & Development (R&D) for sustainable value creation. The R&D centers are supported by around 2,000 research scientists, and equipped with cutting-edge technologies. These scientists have expertise in developing generics, difficult to make technology intensive products, APIs and Novel Drug Delivery Systems (NDDS).

Sun Pharma's R&D capabilities include the development of differentiated products, such as liposomal products, inhalers, lyophilised injections and nasal sprays. Besides, it is also engaged in developing controlled release dosage forms.

Its knowledge in pharmaceutical research allows a rapid ramp-up of a diverse range of immediate and novel delivery systems, spanning oral, parenteral, topical and inhalation dosage forms. The Company's formulation expertise lies in the areas of taste masking, spray-drying, drug-layering, nano-milling, lyophilisation and other pharmaceutical unit operations that enable it to cater to various formulation design needs and concepts. The ability to develop difficult-to-make APIs, by using the latest technologies is the key differentiating factor of the Company's research.

The erstwhile Ranbaxy (now merged with Sun Pharma) identified and developed arterolane maleate, India's first New Chemical Entity (NCE), which was launched in India in 2012. Synriam™, a fixed dose combination of arterolane maleate (150 mg) and Piperaquine phosphate (750 mg) is a new-age cure for Malaria. The synthetic anti-malarial combination is a non-artemisinin drug that simplifies the treatment of malaria to an effective, once-daily tablet, with a three-day regimen. During the year under review, Sun Pharma spent over 7% of its turnover into research and development.

CHART 12: Research and Development investment



FY09-FY14 numbers exclude Ranbaxy financials
* FY15 numbers include the impact of Ranbaxy merger

597
Cumulative ANDAs filed

438
Cumulative ANDAs Approved

396
DMF / CEP cumulative applications filed

270
DMF / CEP cumulative applications approved

1,598
Total patent applications submitted

951
Total patents granted

19
ANDAs filed in FY15

14
ANDAs approved in FY15

18
DMFs filed in FY15

6
DMFs approved in FY15

MANUFACTURING FACILITIES

The Company's key priority is to ensure world-class quality in design, equipment and operations in all its manufacturing facilities, globally. It has 48 (API and finished dosages) state-of-the-art manufacturing sites, spanning across six continents. These manufacturing units are located in India, the US, Brazil, Canada, Hungary, Israel, Bangladesh, Mexico, Romania, Ireland, Morocco, Nigeria, South Africa and Malaysia. These units ensure that the Company is able to provide best-in-class products to patients across 150 countries worldwide.

The manufacturing operations are focused on producing generics, branded generics, specialty products, over-the-counter (OTC) products, anti-retroviral (ARVs) and APIs. They also produce the full range of dosage forms, including tablets, capsules, injectable, ointments, creams and liquids. The Company also manufactures specialty APIs, including controlled substances, steroids, peptides and anti-cancer products.

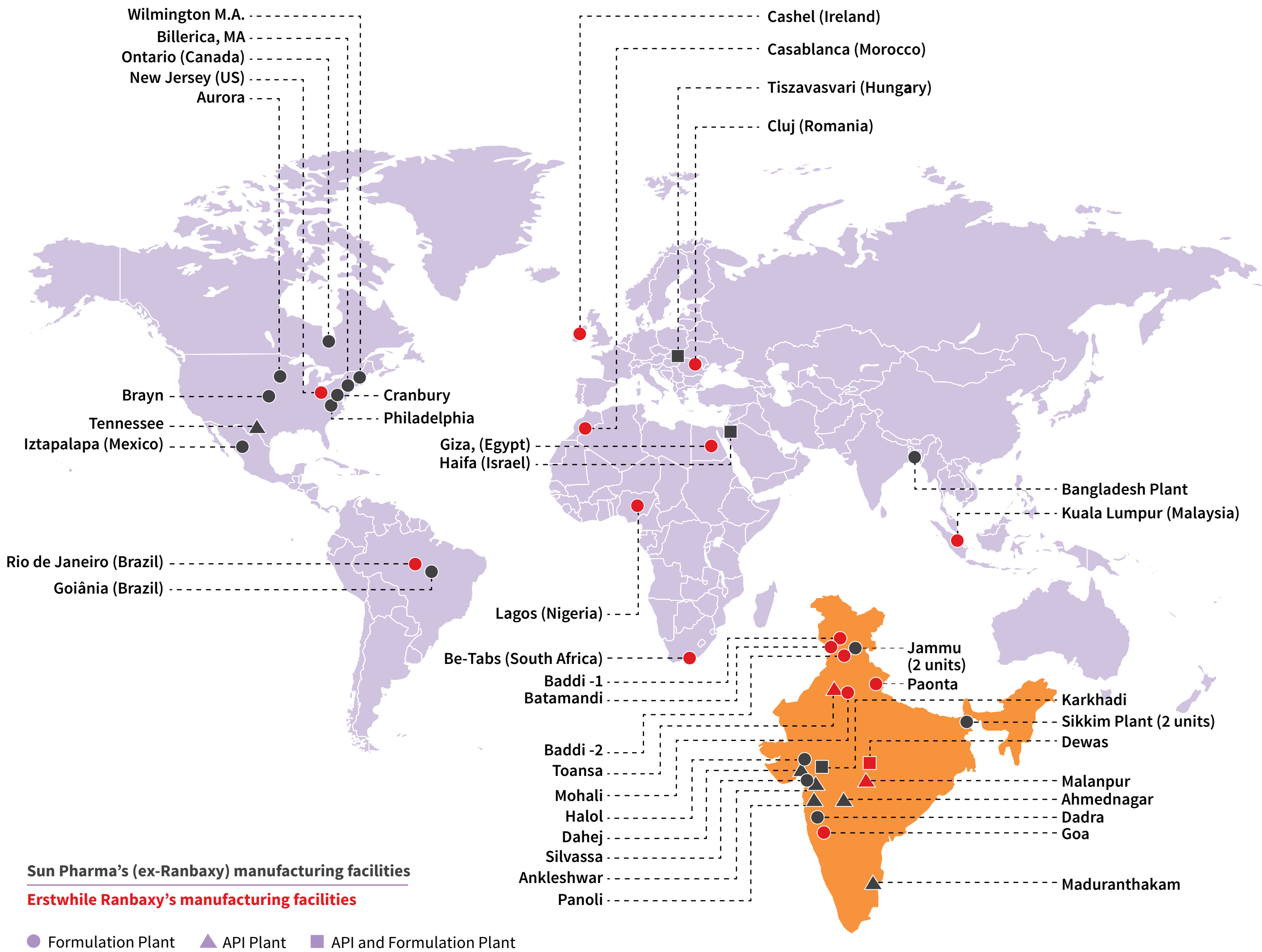
The Company has a highly skilled team of regulatory affairs specialists, who are well versed with regulatory policies and procedures around the world. They are experienced in timely filing of dossiers, as well as handling regulatory queries of both authorities and customers.

A wide range of regulatory agencies routinely conduct stringent audits of the Company's manufacturing facilities for compliance with Current Good Manufacturing Practices (cGMP). Several regulatory agencies, including US FDA, EMEA-Europe, MHRA-UK, MCC-South Africa, TGA-Australia, ANVISA-Brazil, WHO-Geneva, BfArM-Germany, KFDA-Korea and PMDA-Japan, have certified the Company's facilities.

In September 2014, the US FDA undertook an inspection of the Company's Halol facility in Gujarat. The US FDA identified certain deviations from cGMP norms at this facility. Subsequently, the Company initiated remedial actions to address such deviations through a detailed corrective action plan. This remedial action is currently on-going, which has resulted in temporary supply constraints at this facility. These supply constraints are expected to continue till all the remedial measures are completed, post which supplies are likely to improve gradually.

V Blender with online material loading provision

Global manufacturing footprint



HUMAN ASSETS

Operating in a knowledge intensive industry, human resource is of prime importance for Sun Pharma. With an eclectic mix of youth and experience, the Company has nurtured its business through a transformational leadership approach, rather than transactional. As of 31st March, 2015, its total employee strength was over 30,000. It continues to invest in building critical talent in various segments of its business to drive future growth and profitability.

During the year, the Company initiated several training and self-development activities to enhance and enrich employee knowledge and capabilities. It also ensured inclusive growth of every employee, which motivated them irrespective of their designation.

QUALITY ADHERENCE

Adherence to quality standards is imperative for a global pharmaceutical company, and is a priority for Sun Pharma. The primary objective of the Company's Quality Management Team is to meet quality standards of global regulatory agencies, viz., US FDA, EMEA, MHRA and TGA, among others.

Our quality units are independent of any other business division. Each manufacturing facility is equipped with teams of well-trained personnel, guided by a Corporate Quality Unit (CQU). The CQU works along with the regulatory affairs department. CQU ensures that the latest updates in cGMP are being translated into guidelines, SOPs and protocols.

In addition, an independent Corporate Compliance Department audits the sites to strengthen all procedures and ensure 24x7 compliance. Systems and processes are continuously evaluated and improved in line with regulatory requirements.

INTERNAL CONTROL

Sun Pharma believes that internal control is a necessary 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 ensure 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, compliance controls and risk mitigation plans. The Audit Committee of the Board periodically reviews key findings and provides strategic guidance. The Operating Management of the Company 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 statement’ 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 labor unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward looking statements, on the basis of 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 ‘Sun Pharma’, ‘the Company’, ‘we’, ‘us’ or ‘our’ refers to Sun Pharmaceutical Industries Limited and consolidated subsidiaries.

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