

Press Release

Sun Pharma reports performance on track Fourth quarter: Total income up 26%, Exports up 58%; R&D expense at 14.7% of turnover

Mumbai, April 27: Sun Pharmaceutical Industries Ltd., the speciality pharmaceutical company reported results for the financial year and fourth quarter of 2004-05.

Consolidated Q4: Sun Pharma and other subsidiaries including the US subsidiary Caraco reported

- Total income Rs.3462.9 mill (Rs.2746.7 mill), up 26.1%
- Sales at Rs.3116.4 mill (Rs.2674.9 mill) up 16.5%.
- Net Profit is Rs1183 mill (Rs.1168.8 mill)

These unaudited results of Sun Pharmaceutical Industries Ltd were taken on board at a meeting held in Mumbai today.

For the year, net profit was Rs.4197.8 mill as compared to Rs.3505.3mill, up 19.8%. Net profit is to be viewed after increase of revenue R&D spend by Rs.381.9 mill. Domestic formulations at Rs.6799.6mill registered a growth of 17% over the previous year, which is more than twice the rate for the sector, despite the sectorwide slowdown of sales on account of VAT.

According to Dilip Shanghvi, Chairman and Managing Director of the company, “We continue to increase R&D spend to bring innovative products with patent protection to market. This will enable us to create a major upside for investors when their introduction adds to cash flow and profit. While making these investments we continue to grow topline and bottomline on a consistent basis as we transition to a company that is more international and research driven.”

Amongst significant developments this year, was the inauguration of the R&D center, SPARC, at the hands of the President of India His Excellency Dr APJ Abdul Kalam, the addition of significant capacity at the bulk drug plant at Panoli as well as the internationally approved formulation plant at Halol, and the commencement of operations at the joint venture manufacturing plant in Bangladesh and subsidiary in Mexico.

Caraco’s 2004 and Q1 Results:

Caraco recently announced quarter 1 sales of \$17.3million, its highest ever, up 28% from \$13.6 mill the previous year. Net cash was \$4.7mill. After non cash R&D expense of \$10.2 mill, net loss was \$4.6 mill. For the year to December 2004 the company had announced sales of \$60.3mill, net loss of \$0.2 mill and net cash from operations of \$22 mill. Daniel Movens, a generic industry veteran with extensive US industry experience, will be shortly joining Caraco as CEO.

In the first quarter of 2005, Caraco selected additional 7 products for development, and with these all the 25 products to be transferred under this agreement have been selected.

Of these 25 products, 11 products have cleared biostudies and another 14 products are under development. On completion of biostudies for all 25 products, and conversion of the preferred stock, Sun Pharma will hold 76% stake in Caraco. Caraco's numbers have been consolidated with that of the company using a line-by-line basis, with the minority profit deducted at the profit level.

The Detroit, USA based Caraco Pharm Labs currently has 9 ANDAs filed and awaiting FDA approval, and 15 ANDAs received. Caraco has shared estimates of 15-20% topline growth for the year.

Consistently increasing market share:

In an increasingly competitive marketplace, Sun Pharma continues to be ranked 5th with growth rate at 12.7%, which is more than twice that of the industry; the highest among the top 10 companies several of which have shown marginal or negative growth (IMS ORG Retail Store Audit March 2005).

Market share is 3.36%, up from 3.10% last year (IMS ORG Retail Store Audit March 2005, February 2004). Overall, the company is ranked no. 1 with psychiatrists, neurologists and cardiologists, and among the top 4 with 7 more classes of specialists (CMARC November 2004–February 2005). Strong rank increases were reached in cardiology, diabetology, and ophthalmology, which are quickly emerging as therapy area strongholds for the company.

New research sites, patents:

The total number of patents submitted pending approval now stands at 395 (last year 248), in addition to 34 patents granted. At the R&D Centre SPARC in Baroda, sizeable progress was seen in drug discovery in three specific therapy areas; and NDDS projects based on platform technologies.

In December last year, His Excellency Dr APJ Abdul Kalam, the Hon President of India inaugurated the company's R&D campus in Baroda with 200,000 sq ft research floor area. The company's 50,000 sq ft. Mahakali R&D centre was also commissioned with space for 150 scientists, to enable greater focus on projects for the US/ Europe both for Caraco and for Sun Pharma.

Consolidated R&D expense for the year was Rs.1459.8mill (Rs.1267.8 mill) or 11.4 % of turnover. Revenue R&D expense was Rs1041.4 mill (Rs.659.5 mill), or 8.2% of turnover.

Ongoing M&A activity

The amalgamation of Phlox Pharma, a bulk cephalosporins manufacturer with the company is pending with regulatory authorities and legal compliance; expansion, however, has begun. The company had earlier this year completed a zero coupon FCCB totaling \$350mill(approx. Rs15753 mill).

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