Text of the speech delivered by Mr. Dilip Shanghvi, Chairman of the 19th AGM of Sun Pharmaceutical Industries Ltd., held on Sept 16, 2011 in Vadodara

Dear Fellow Shareholders

On behalf of the Board of Directors, I welcome all of you to the 19th AGM of your company. Last year has been a remarkable one on several counts.

- As you know, we completed acquisition of a majority interest in Taro Pharmaceutical Industries Ltd. This acquisition, completed more than 3 years after it was signed, witnessed a long-drawn legal struggle ending with a significant victory for Sun Pharma in the Israeli Supreme Court. Taro is working towards sustainable performance improvement.
- Considering the market potential offered by emerging markets and the product / technology depth of our product offerings, during the year we worked on a strategic partnership for taking differentiated, complex, innovative products to these emerging markets. Discussions continued in the new year starting from April and soon after we entered into our first ever emerging markets- joint venture agreement with Merck.
- In Dec 2010, we expressed our intent of taking Caraco Pharmaceutical Laboratories private. On 14th June, 2011, shareholders of Caraco approved privatizing it.

I will begin with a review of our business and share a summary of our key challenges, opportunities, and steps ahead.

Our business continued to gather strength let me begin with the performance highlights of 2010-11.

- Net sales were Rs 5721 crore up by 43%.
- Net profit was Rs.1816 crore, with a net margin of 34%.
- International operations grew 55% and accounted for 57% of sales.
- Formulations were 91% of sales

Environment and challenges

As we grow our international business, add technically complex products to our business profile, and move to the next growth orbit, regulatory, quality standards and people remain critical to our sustained performance.

I'll now list some of the key trends that we see in India:

Based on a recent study, McKinsey expects the Indian pharmaceutical market to reach $55 billion by 2020 from $ 12.3 billion now, and rank among the ten largest pharmaceutical markets globally.

- Demographics, affordability, rise in disposable incomes, increasing reach of corporate hospitals and other medical infrastructure, health insurance, are among the key drivers of this growth. At this scale, the market will be comparable to all developed markets other than the US, Japan and China. Of course this assumes that levels of penetration will be impressive-- India will be at the top, a second only to the US market.

- While mass medicines are expected to account for half the market in 2020, the mix would favor speciality and super speciality.

- Metro and tier 1 markets are estimated to contribute significantly to growth, driven by rapid urbanization and greater economic development.

- Competition, already intense, will likely enhance going ahead, both for domestic and MNC players, and the distinction between both these kinds of players will blur.

- Over the past few years, multinational companies have begun to rebuild their businesses to participate in this growth. They have restructured, entered into long term manufacturing agreements, or bought out Indian companies so as to benefit from the advantages of low cost development and manufacturing that other Indian companies

enjoy .As India powers into one of the fastest growing markets in the world, we expect this trend to continue.

International

There are a few clear trends across international markets:

IMS expects that while U.S. share of global pharmaceutical spending will decline from 41% in 2005 to 31% in 2015, the largest segment of growth in the next five years will be "pharmerging" markets. This increase is likely to be driven by increased access through reforms and economic growth, factors similar to those in India. Pharmemerging countries, or a collection of fast growing pharmaceutical markets in emerging economies are expected to double pharma spending, adding $ 150 Bn by 2015. 17 high growth emerging markets led by China, will contribute 28% of total spending by 2015, up from only 12% in 2005.

Most international companies have now built a robust local presence across these markets.

Pharmaceutical regulation is evolving rapidly around the world, both in the developed and developing countries. Regulatory agencies like the US FDA continue to raise quality standards, increasing registration costs and approval timelines. Regulatory agencies from other countries are raising the standards bar. These tightened requirements makes quality and system adherence the topmost priority. Some of these plant closures were the reason for drug shortages in the US over the last year. This also resulted in gains for the larger players and less competition in some products.

Across developed markets, governments continue to be concerned about escalating healthcare costs thus often making generics a preferred choice. Overall, we expect this trend to continue to favor generic use.

Large Indian companies have made inroads into the US generic market, powered by advantages of product development skills, world-class manufacturing sites, and cost efficiency across the value chain. In the US, generics now account for 78% of all prescriptions dispensed. Over 80% of a brand's prescription volume is replaced by a generic within six months of patent loss, for most of the products. Competition continues to be intense, including in exclusivity periods.

Performance

We continue to be predominantly driven by international sales—international markets accounted for 57% of our turnover.

India and the US, our highest priority markets, together accounted for 80% of our turnover. We continue to build on our presence in these two markets, even as we strengthen our approach for emerging international markets to the next level.

India formulations

According to AWACS, the Indian formulation market grew at 15% for the year to March 2011.

Our domestic formulation business was Rs. 2380 crores.

Our market share as per AWACS is at 4.3% for March 2011 MAT, with 21% growth over the previous year.Now we are ranked fourth.

We continue to build market leadership across specialities such as psychiatry, neurology, cardiology, ophthalmology, diabetology etc. Last year we entered into our first ever co-marketing agreement to jointly promote the oral antidiabetic molecule, sitagliptin, in the Indian market along with Merck, so that the benefits of the molecule could reach even more

patients. We continued to introduce products that offer patient advantages, such as. Latoprost RT, Myone Depot PFS, Gonarelix prefilled, Zomibet, etc.

US generics business

We continued to put in place an interesting product offering for the US generic space even as we begin streamlining operations at Taro. Taro adds 127 ANDA to our product basket, mainly in the dermatological space, and excellent facilities in Canada and Israel.

This year, across the company we brought 18 new ANDAs to market, and filed 25 more, taking the total pending approval to 152.

Taro had reported unaudited numbers, sales of USD 393 million and profit of USD 64 million for FY 10.

In June 2011, we completed privatizing Caraco. Caraco is working closely with consultants to comply with the USFDA audit requirements. Cranbury also continues to work towards resolving the USFDA warning letter.

International branded generics

We continue to be excited about growth opportunities in our rest of the world branded business, which currently accounts for 11% of turnover. As you know, we have a presence with branded prescription products in 41 countries across SE Asia, China, CIS, Latin America. Taro brings a footprint in Canada, Israel and some other parts of Europe. A rich product offering, country-relevant strategies, and a focus on execution set us apart. Going ahead, our recent joint venture with Merck for innovative branded generics in ex- India emerging markets is expected to fortify this part of our business.

Speciality API

We now have 207 filings made and 127 products approved for US/ Europe.

Our API business accounted for 9% of turnover last year, and continues to support the formulations business in all parts of the world.

R&D

This year, we spend Rs. 331 crores or 5.8% of net sales on generic R&D. We scaled up 28 APIs, developed and filed 25 ANDAs, and brought 38 products to India. In all, including Taro we have filed 549 patents of which 248 have been approved.

Growth and Team Sun Pharma

We had shared a guidance of 28-30% growth for FY12. This year we intend to file 25 ANDAs in the US.

We will continue to work towards building a strong pharmaceutacal company, positioned for success in the world's generic markets.

Thank you.