SPARC/Sec/SE/2017-18/033 9th August 2017

To
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East),
Mumbai – 400 051.

BSE Limited
P J Towers,
Dalal street,
Mumbai - 400001

Dear Sirs,

Sub: Submission of Annual Report of the Company for the year ended 31st March 2017
Scrip Code: BSE: 532872; NSE: SPARC

In compliance with regulation 34 (1) of the SEBI (Listing Obligation & Disclosure Requirements) Regulation, 2015 we are pleased to enclose herewith Annual Report of the Company for the financial year ended 31st March 2017.

The Shareholders of the Company have in their 12th Annual General Meeting held on 5th August 2017, approved & adopted the Financial Statements of the Company for the Financial Year 2016-17 together with the Report of the Auditors and the Board thereon, as disclosed in the enclosed Annual Report.

A copy of the Annual report is also available on the website of the Company www.sparc.life

You are requested to kindly take the same on record

Yours faithfully,
For Sun Pharma Advanced Research Company Ltd.,

Debashis Dey
Company Secretary

Encls: *A/a*.

ANNUAL REPORT
2016-17

sparc



Innovating through the lens of ***life***



A simple design with a world of a meaning within. It uses an age-old symbol ‘the Venn diagram’ and brings out essence of our existence.

The logo shows us, Sun, represented by the yellow circle overlapping something bigger and grander - life, represented by the orange circle and making us an inseparable whole.

The key foundational pillars of the future we seek to create are Innovation, Integrity, Efficiency and Human Centricity, and these come alive in an abstraction which we call the “Lens of Life” - our differentiating focus through which we look at R&D to uncover possibilities for better health.

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Disclaimer: Statements in this “Management Discussion and Analysis” describing the Company’s objectives, projections, estimates, expectations, plans or predictions or industry conditions or events may be “forward-looking statements” within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, competitors’ pricing in the Company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward-looking statements, 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 “we”, “us” or “our” refers to Sun Pharma Advanced Research Company Limited.

® All brands and trademarks are the properties of their registered owners.

Corporate Information

Board of Directors

Mr. Dilip S. Shanghvi
Chairman & Managing Director

Mr. Sudhir V. Valia
Non-Executive Director
(CFO up to 31st January, 2017)

Dr. T. Rajamannar
Non-Executive Director

Prof. Dr. Andrea Vasella
Independent Director

Ms. Bhavna Doshi
Independent Director

Prof. Dr. Goverdhan Mehta
Independent Director

Mr. S. Mohanchand Dadha
Independent Director

Dr. Ferzaan Engineer
Additional Director - Independent
(w.e.f. 5th May, 2017)

Mr. Mark Simon
Additional Director - Independent
(w.e.f. 5th May, 2017)

Chief Executive Officer

Mr. Anil Raghavan

Chief Financial Officer

Mr. Chetan Rajpara
(w.e.f. 1st February, 2017)

Company Secretary

Mr. Debashis Dey

Auditors

Deloitte Haskins & Sells LLP
(Registration No. 117366W/W-100018)

Bankers

ICICI Bank Ltd.
IndusInd Bank Ltd.

Offices

REGISTERED OFFICE

Sun Pharma Advanced Research Centre
Akota Road, Akota,
Vadodara - 390 020.

MUMBAI OFFICE

17-B, Mahal Industrial Estate,
Off Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.

Research Centres

F.P. 27 Part Survey No. 27,
C.S. No. 1050, T.P.S. No. 24,
Tandalja, Vadodara - 390 020.

17-B, Mahal Industrial Estate,
Off Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.

907/4, GIDC, Makarpura,
Vadodara - 390 010.

Registrar and Transfer Agent

Link Intime India Pvt. Ltd.

C 101, 247 Park,
LBS Marg, Vikhroli West,
Mumbai - 400 083.

Tel: +91 22 4918 6000
+91 22 4918 6270

Fax: +91 22 4918 6060

E-mail: sparc@linkintime.co.in
rnt.helpdesk@linkintime.co.in

Management Discussion And Analysis



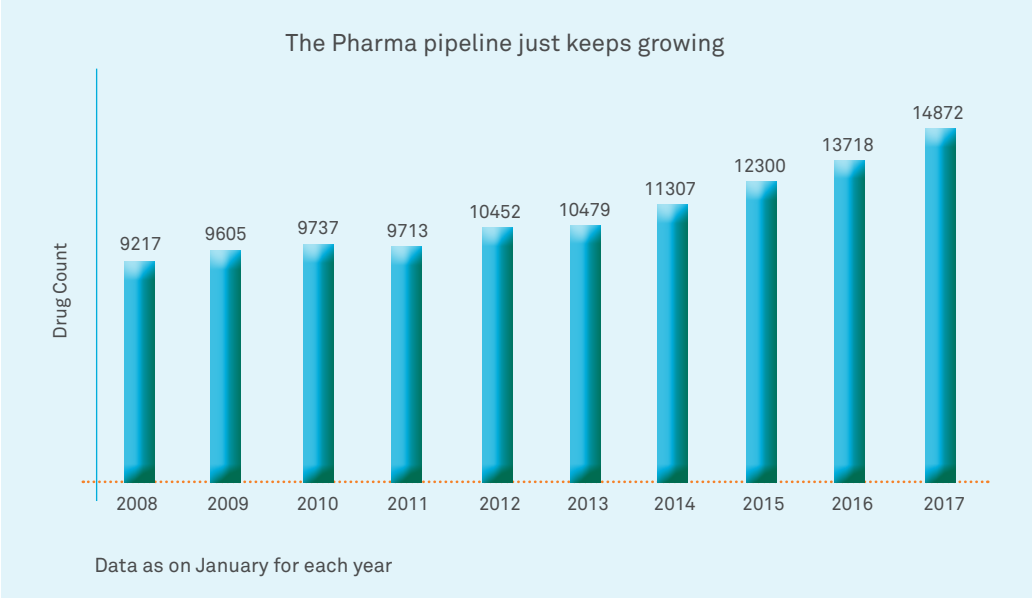
GLOBAL LIFE SCIENCES INDUSTRY TRENDS

The research based drug development enterprise is at crossroads. Improved understanding of disease biology, emergence of novel targets, availability of cutting-edge drug discovery technologies and data analytic tools have created significant opportunities to develop newer drugs faster. The demand for newer therapies to address unmet medical needs continues to remain high because of increasing aging population and prevalence of chronic diseases.

On the other hand, the industry is facing challenges caused by slower sales growth, pricing controls & changing reimbursement environment, expiring patents, shorter product life cycles and tighter regulations. These concerns, however, have been mitigated to some extent with successful drug approvals reaching record highs over the past few years.

The complexities of the industry are not deterring the new entrants. Almost 750 new drug discovery companies were reported over the past twelve months[1]. The number of products in active development by the pharma and biotech industries rose to an all-time high in January 2017. New data shows that there were 14,872 pipeline projects in development in January 2017, an increase of 8.4% on the corresponding figure from 2016[1].

Global R&D Pipeline[1]



"The demand for newer therapies to address unmet medical needs continues to remain high because of increasing aging population and prevalence of chronic diseases.

750
new drug discovery companies were reported over the past twelve months[1]

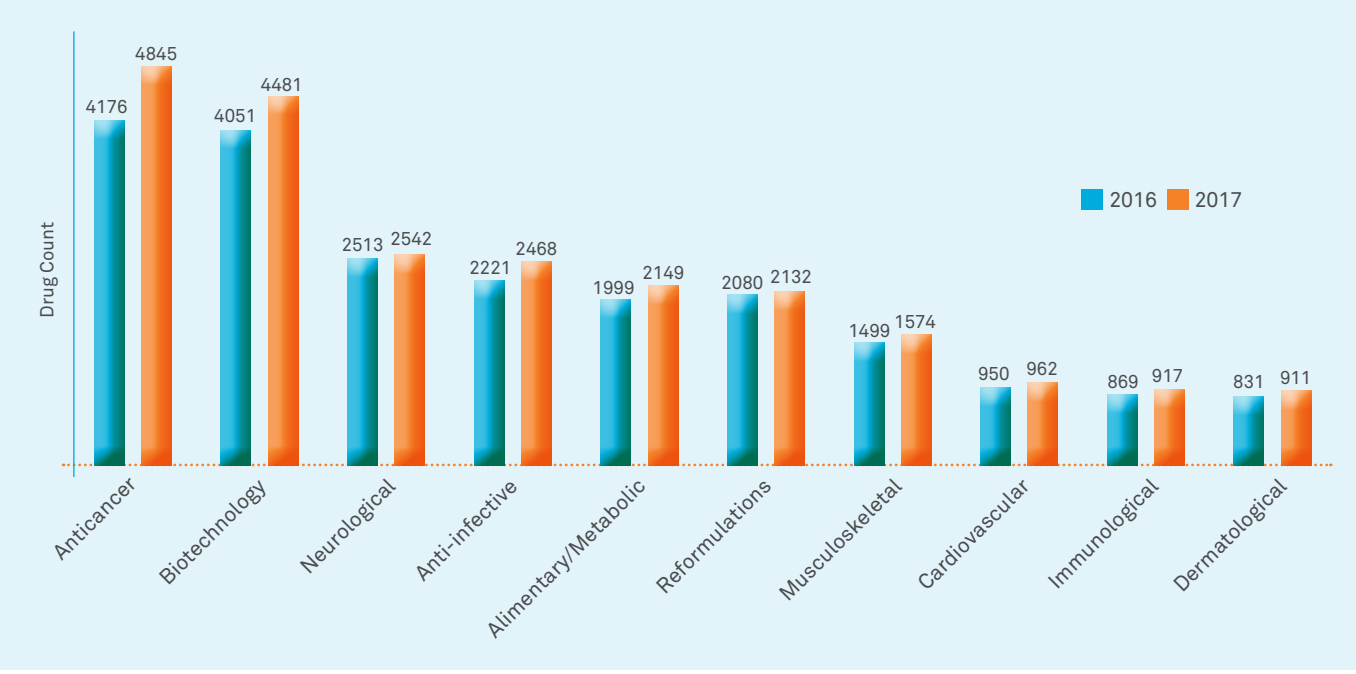
14,872
pipeline projects in development in January 2017[1]

1. Adapted from Pharmaprojects®, January 2017

The developmental pipeline is dominated by Oncology. The number of Oncology therapeutics in the pipeline increased by 669 candidates, a growth rate of 16.0%[1].

The Oncology pipeline has grown at almost twice the rate of overall pipeline growth and represents approximately 32.6% share of the pie[1].

The R&D Pipeline By Therapy Group[1]



Pharmaceutical R&D Spend and Sales

In spite of the challenging environment, pharmaceutical R&D spend and sales are expected to have a healthy growth trend. The worldwide R&D spending on pharmaceuticals is expected to grow at a CAGR of 2.8% from USD 149.8 billion in 2015 to USD 182.0 billion by 2022, faster than the CAGR growth of 1.7% achieved during 2008-15[2].

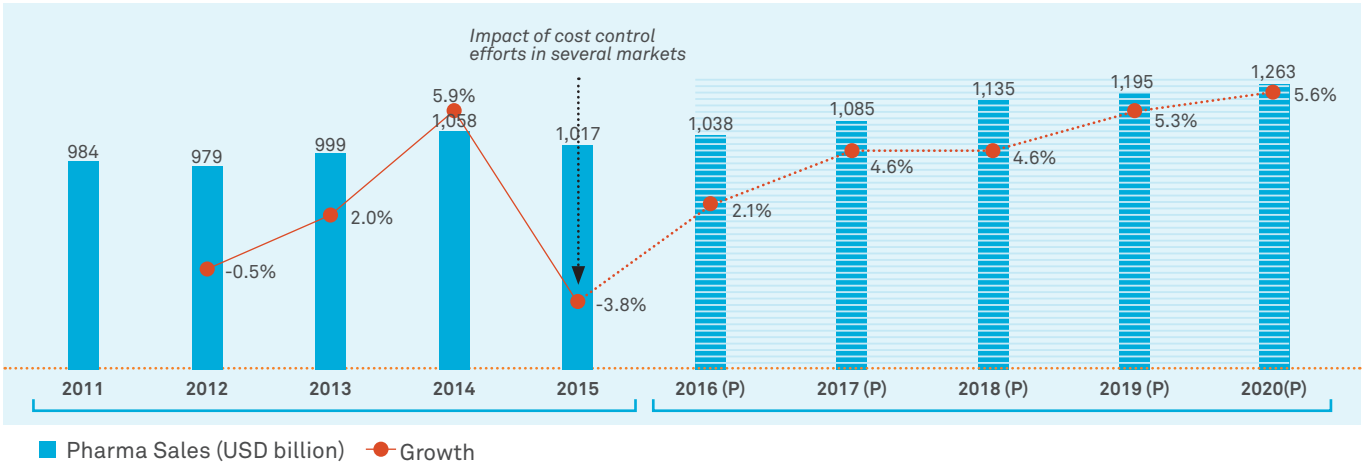
The worldwide pharmaceutical sales are likely to grow at a CAGR of 4.4% to USD 1.2 trillion during 2016-20[2], driven by growing acceptance of high-priced innovative orphan drugs and ongoing industry consolidation.

2.8%
Expected growth of worldwide R&D spending on pharmaceuticals

4.4%
Expected global pharmaceutical sales growth

2. Adapted from 2017, Global Life Sciences Outlook, Deloitte

Worldwide Pharmaceutical Sales, 2011-20[2]



India and Indonesia are expected to be the Asia & Australasia region's fastest-growing countries in pharma sales from 2016 - 20, at 13.0% and 11.0% CAGR respectively, due to the rising incidence of chronic diseases and increasing demand from the growing middle class for more advanced medicines[2].

Although the growth and evolution of the pharma industry correlates mostly with healthcare costs and spending, some of the following trends may also contribute to the growth.

Technological advancements

Till date, finding gaps in healthcare is a tedious task, and many providers face challenges in identifying them. Clinical data analysis has helped providers to plan carefully, set benchmarks and monitor their performance.

Lately, there have been several developments in technologies, such as artificial intelligence, virtual reality and wearable technologies, that have not only been disruptive but also have the potential to change the face of healthcare and transform the vision of population health management.

Reorientations in pharmaceutical industry

There have been many regulatory and reimbursement changes for pharmaceutical companies lately. In times like these, pharmaceutical companies are aiming towards engaging patients to ensure that they are providing the best possible value, combined with sharing of information among themselves and with the patients.

Increased partnerships and collaborations

2016 was dotted with news of partnerships and collaborations in healthcare, presenting the importance of working together to survive the shift to value-based reimbursement. 2017 may witness a growth in partnerships, along with joint ventures, mergers, acquisitions, strategic alliances and clinical affiliations.

New trends in clinical innovation

With the significant rise in costs of R&D activities in traditional markets like the US (accounting for nearly 70-80% of the global life sciences R&D funding) and the European

"India and Indonesia are expected to be the Asia & Australasia region's fastest-growing countries in pharma sales from 2016 to 2020, at 13.0% and 11.0% CAGR respectively[2]

Union, the industry is increasingly shifting these activities to low cost destinations, especially in Asia.

Regulatory compliance and drive for homogenisation

The regulatory scenario for the pharmaceutical companies is the most stringent and undergoes continuous evolution. As a result, the companies will have to constantly evolve strategies, actions and operations to meet norms. Besides, different countries have their own quality and safety standards leading to delays in launching drugs. To counter this, the regulators are increasingly focussing on homogenisation of compliance norms across all markets for the benefit of the masses.

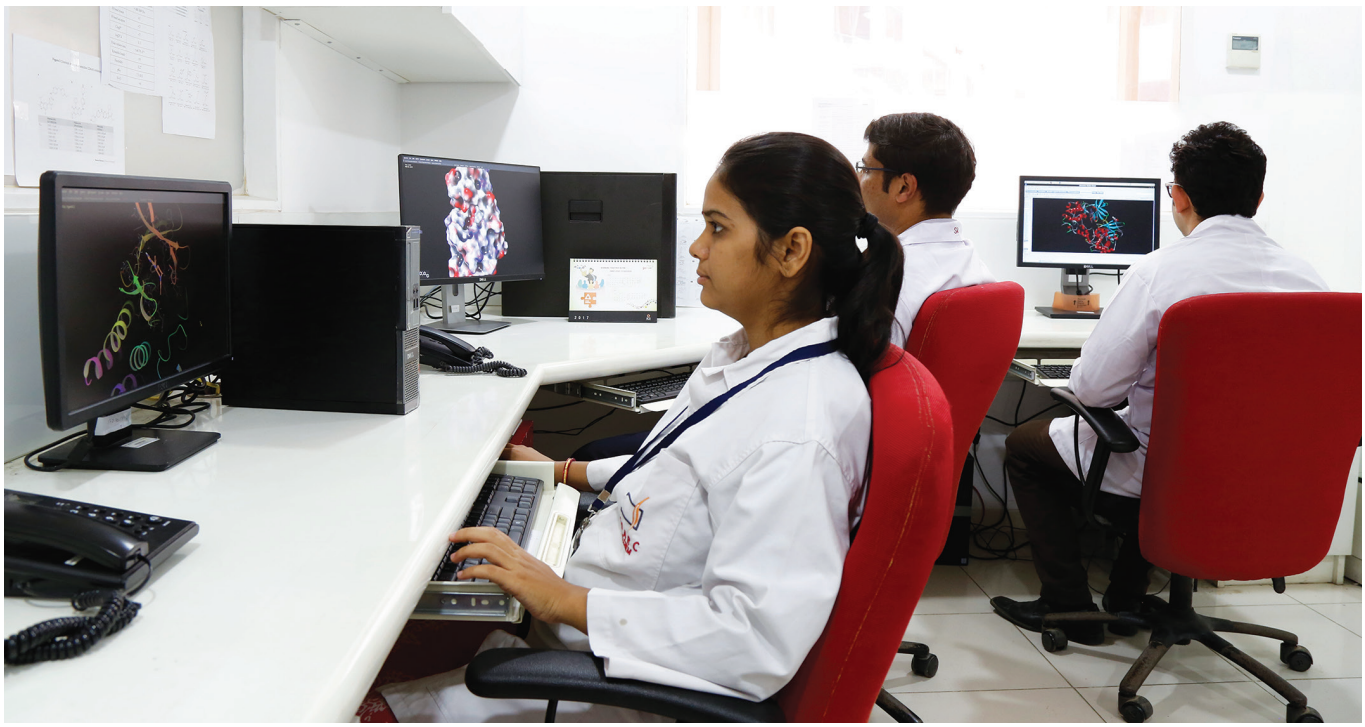
Achieving higher value with lower costs

Value in healthcare is all about creating and delivering quality, while keeping costs in check and almost every value-focussed agency in healthcare is working towards that goal.

Whether value-based care is being achieved through an analytics-driven approach, new payment models, or changes in federal regulations, the ultimate goal is to provide higher quality at lower cost, making use of robust infrastructure and complete clinical skills to provide healthcare services. This is and will remain the essence of healthcare services.

Industry is charging headlong into the future, marching towards a new, ever more rapidly changing world. Healthcare companies need to adapt to these changes and ideally anticipate them, so as to drive towards value in innovative ways and setting them to master upcoming changes.

“Industry is charging headlong into the future, marching towards a new, ever more rapidly changing world. Healthcare companies need to adapt to these changes and ideally anticipate them, so as to drive towards value in innovative ways and setting them to master upcoming changes.



INDUSTRY OUTLOOK

The year 2017 is expected to be an exciting yet challenging one for the worldwide pharmaceutical industry.

Even as aging population and proliferating chronic diseases drive increased provider and patient demands for more and better therapies, reform-driven drug price controls and government cost-containment measures continue to challenge the life sciences sector. Besides, the shift from volume to value developments of new therapies and proliferation of orphan drug approvals, may spawn debates regarding prices and access to medicine. With public and private payers making increased use of value-based pricing and real-world evidence to provide clinical and commercial insights into the value of products, life sciences companies should balance the pursuit of clinical innovation with improving operational and cost efficiencies.

The industry would be required to win back public and political trust relating to drug pricing, exploitation of market monopolies, and promotional practices. The focus of the industry will be required to effectively shift towards patient-centricity.

OPERATIONS REVIEW

Your Company earned net revenues of ₹ 19,465 lakhs. Our source of revenue largely includes royalty and milestone income for the products previously licensed to partner(s).

We did not receive approval of Xelpros™ and Elepsia™ XR due to GMP compliance issues at our partner's manufacturing site. Our milestone and royalty income linked to approval and commercialisation of these products is deferred as a result of delay in approvals.

Since our products are not yet commercialised in major markets like US, we do not have a steady stream of royalty income. Our income therefore is irregular and depends on the milestone payments that we might receive at the time of licensing. We expect this trend to continue in the next year as well.

Your Company reported net loss of ₹ 12,027 lakhs. The major expenses were attributed to the conduct of clinical trials associated with our R&D programmes and towards employee costs. During the year, we initiated several clinical trials and also accelerated patient enrolment in ongoing clinical trials. This resulted in significant increase in clinical trial expenses compared to previous year.

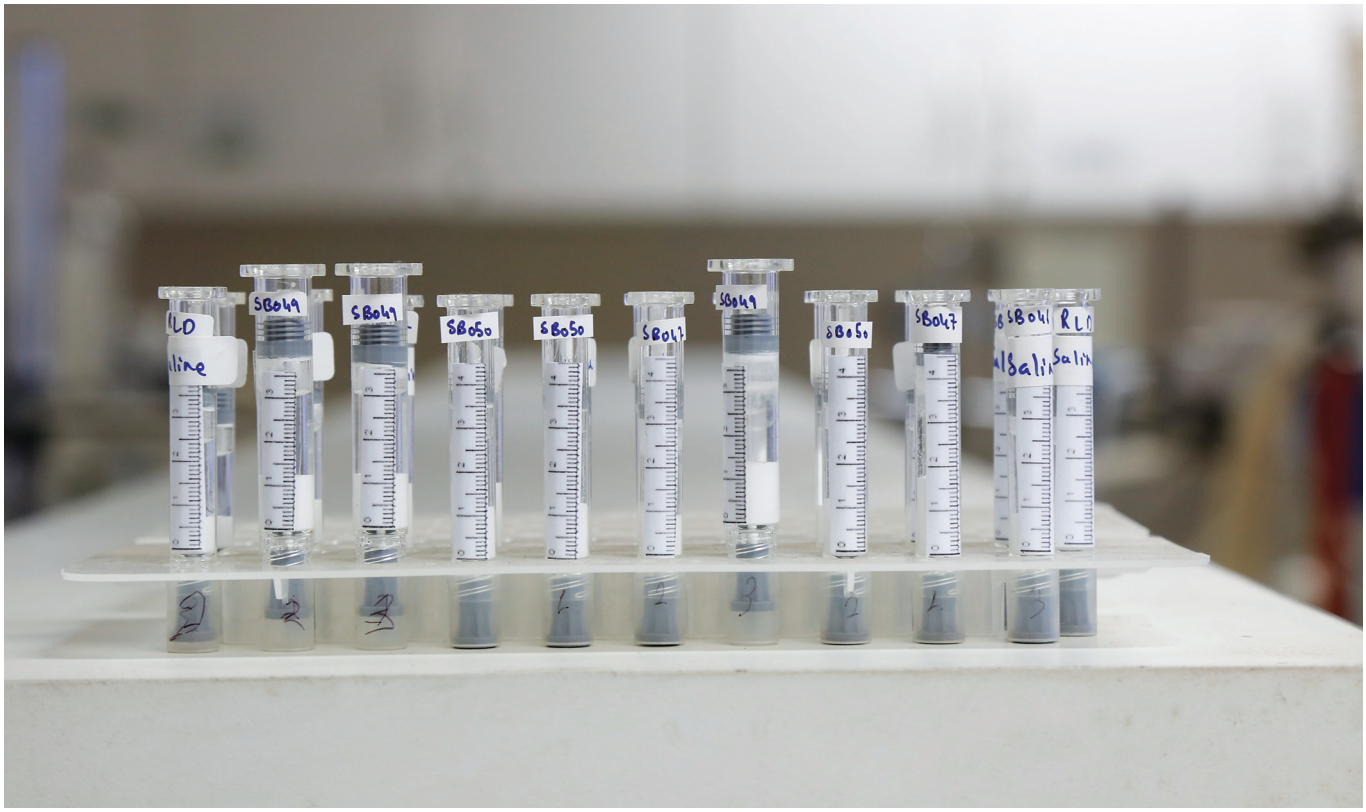
In the year ahead, we anticipate increase in our clinical trials spending and investment in building critical developmental capabilities. We have initiated pivotal and Proof of Concept clinical trials for several of our programmes. We are also building our capabilities and increasing our efforts on hiring key resources to assist us in taking the organisation to the next level.

Drug discovery research is a high risk business. Your Company has identified potential risks associated with the business and has developed a risk management plan to insulate the organisation from the potential impact of such risks.

"With public and private payers making increased use of value-based pricing and real-world evidence to provide clinical and commercial insights into the value of products, life sciences companies should balance the pursuit of clinical innovation with improving operational and cost efficiencies.

₹19,465 lakhs
Revenue for FY17

₹12,027 lakhs
Net loss for FY17



THE YEAR 2016 – 17: CROSSING CRITICAL MILESTONES

The year 2016-17 was an exciting year for SPARC. We crossed several milestones for the programmes in clinical development. We completed the patient recruitment in pivotal efficacy studies of Baclofen GRS and Salmeterol - Fluticasone Dry Powder Inhaler (DPI) and initiated pivotal BE study of Taclantis™ (PICN). We completed part A of Phase I study of SUN-K0706 in healthy volunteers and initiated crucial part B study in patients suffering from refractory Chronic Myeloid Leukemia (CML). We completed Proof of Concept study for SDN-021, Tizanidine ER and initiated Phase 2 study for Brimonidine OD.

We made significant progress on interactions and submissions with USFDA during last year. We completed 5 pre-IND consultations with USFDA for our early assets to obtain guidance for development and registration of these programmes in USA. We also filed IND with USFDA for SUN-K0706 to initiate clinical trial in patients with Parkinson's disease. We had several interactions for our programmes with other regulatory agencies during the year.

Continuing our focus and efforts on partnerships and collaborations, we signed agreements with three Universities in

We licensed Elepsia™ XR to a subsidiary of Sun Pharmaceutical Industries Ltd. for US market and received upfront payment of USD 10 million. This is a significant milestone and validation of the value that our research programmes can deliver.

USA, for pursuing collaborative research for our existing programmes and new programmes.

We licensed Elepsia™ XR to a subsidiary of Sun Pharmaceutical Industries Ltd. for US market and received upfront payment of USD 10 million. This is a significant milestone and validation of the value that our research programmes can deliver. During the year, we could not realise additional royalty revenues and milestone payments associated with Xelpros™ and Elepsia™ XR commercialisation because of the delay in approval of these products by USFDA on account of the compliance issues at the manufacturing site of our partner.

To mitigate the risk of further delay, we are now working towards manufacturing both these products at alternate sites.

The delay in realising our revenue and our increasing spend on clinical trials has resulted in increased cash burn during FY17. We expect this to continue in FY18. We will evaluate our requirement of funds to support the clinical studies in the short term and explore options to raise funds.

Our other clinical programmes are progressing as planned. We are expecting results from the pivotal studies of DPI and Baclofen GRS during FY18. Data from Taclantis™ may also be available by Q1FY19. Positive outcomes of these pivotal studies may provide us a significant revenue opportunity in next 12 to 24 months.

"We signed agreements with three Universities in USA, for pursuing collaborative research for our existing programmes and new programmes.



We have reorganised our early stage portfolio of programmes and focus on therapy areas over the last couple of years. We now have a balanced portfolio of NCEs and NDDS programmes with focus on select types of cancers, inflammation, neurodegenerative diseases and developing abuse deterrent formulations. Some of our programmes in early development will enter in clinical trials during FY18.

While a lot of momentum has been dedicated to advance our programs to the next phase of development, we have added significant resources and are planning to evaluate new R&D facility options to accommodate capacity growth.

During the year, we worked to create a new SPARC logo which captures the essence of our identity and purpose, marking another key milestone in our evolution.

Our new logo combines continuity and change by embracing our roots proudly, while expressing our aspiration and innovative soul through a powerful, modern composition. The key foundational pillars of the future we seek to create are Innovation, Integrity, Efficiency and Human Centricity, and these come alive in an abstraction we call the "Lens of Life". Lens of Life craftily brings together our heritage (Sun) and the object of our pursuit (Life itself) in a bright visual statement which captures our very purpose - innovations inspired by life.

In a nutshell, your Company took major strides during the year 2016-17 and set the stage for a leap forward in future with additional revenue generating opportunities in a short-to-medium timeframe.

UPDATE ON KEY PROGRAMMES

Xelpros™
Eye drops for Glaucoma

Xelpros™, our BAK free Latanoprost eye drops for Glaucoma, is under review with the USFDA for approval. The approval is delayed due to our partner's manufacturing site compliance issue. To mitigate the risk of further delay, we are in the process of transferring manufacturing to an alternate facility.

Elepsia™ XR
Once-a-day tablets for Epilepsy

Elepsia™ XR is our novel once-a-day formulation of Levetiracetam for epilepsy. Elepsia™ XR has also been filed with USFDA for approval and the approval is delayed due to non-compliance of our partner's manufacturing facility.

We licensed Elepsia™ XR to a subsidiary of Sun Pharmaceutical Industries Ltd. for the US market and received USD 10 million as upfront payment. SPARC is eligible for additional milestone payments and royalty payments linked to future sales of Elepsia™ XR.

We are actively engaged with our manufacturing partner on the progress of the compliance status of the manufacturing facility and have also initiated steps for transfer of manufacturing at an alternate site to mitigate the risk of further delay in approval.

"We now have a balanced portfolio of NCEs and NDDS programmes with focus on select types of cancers, inflammation, neurodegenerative diseases and developing abuse deterrent formulations.

Baclofen GRS
Once-a-day capsules for Spasticity in Multiple Sclerosis

Baclofen GRS is a novel once-a-day formulation of Baclofen, based on SPARC's Gastro Retentive Innovative Device (GRID) Technology. SPARC's GRID Technology retains Baclofen in the stomach for an extended period of time and thus makes it a truly once-a-day formulation.

We intensified our efforts to recruit patients on our pivotal clinical studies. Patient recruitment has been completed in the pivotal Phase 3 efficacy and safety trials. We are on track to file the NDA for this product by the end of FY18.

We have initiated efforts for out-licensing of Baclofen GRS. We believe that Baclofen GRS presents a good revenue generation opportunity for SPARC, as it is will be the first and only once-a-day Baclofen product in the USA.

Taclantis™ (Paclitaxel Injection Concentrate for Nanodispersion) for Solid Tumours

Taclantis™ is a Cremophor® and Albumin-free nano particle formulation of the cytotoxic drug Paclitaxel. It is developed using SPARC's proprietary Nanotecton™ Technology. Taclantis™ offers ease of reconstitution & administration, short infusion time and reduced risk of allergic side effects.

SPARC completed the pilot BE study and the data suggested that Taclantis™ has a PK profile similar to that of Abraxane®. Based on the outcome of the pilot BE study, we have initiated a pivotal BE study of Taclantis™. We are expecting to complete the study by Q1FY19.

Salmeterol - Fluticasone Dry Powder Inhaler (DPI) for Asthma and COPD

SPARC's DPI is a pre-metered, 60 doses, breath activated device to administer an inhaled combination of Salmeterol and Fluticasone. SPARC's DPI uses half the dose of Salmeterol and Fluticasone as compared to Advair®/Seretide®.

SPARC has completed enrolment in the pivotal studies required for marketing authorisation based on the guidance received from regulatory agencies in Europe. We expect to receive final data in early FY18 and if the data are positive, we shall initiate the NDA filing in European countries.

SUN – K0706 for Chronic Myeloid Leukemia

SUN – K0706 is a novel and highly selective Bcr-Abl kinase inhibitor, being developed for treatment resistant Chronic Myelogenous Leukemia (CML). SUN – K0706 is a potent inhibitor of Bcr-Abl and its mutant forms, including the T315I mutant.

We successfully completed part A of the Phase 1 study in healthy volunteers in USA and have established oral bioavailability of the drug.

We have initiated part B of the Phase 1 dose range finding study in CML patients. We plan to complete the study in a years' time. This study will help us to establish a safe human dose to conduct pivotal efficacy study in patients.

Key Programmes

1. **Xelpros™** Eye drops for Glaucoma
2. **Elepsia™** Once-a-day tablets for Epilepsy
3. **Baclofen GRS** Once-a-day capsules for Spasticity in Multiple Sclerosis
4. **Taclantis™** (Paclitaxel Injection Concentrate for Nanodispersion) for Solid Tumours
5. **Salmeterol – Fluticasone Dry Powder Inhaler (DPI)** for Asthma and COPD
6. **SUN – K0706** for Chronic Myeloid Leukemia
7. **Brimonidine OD** Eye Drops for Glaucoma
8. **Tizanidine ER** Once-a-day tablets for Musculo-Skeletal Pain
9. **Minocycline Topical** for Acne
10. **SUN – 597 Topical** for Atopic Dermatitis and Psoriasis
11. **SDN – 021** for Pain

Brimonidine OD
Eye drops for Glaucoma

SPARC is developing a once-a-day formulation of Brimonidine eye drops for Glaucoma using its proprietary TearAct™ Technology. The currently marketed product requires patients to be dosed three times a day, which poses treatment compliance challenges.

SPARC initiated Phase 2 Proof of Concept study in 140 Glaucoma patients in Europe. The study is ongoing and fully recruited. Topline results are expected in Q2 FY18.

Tizanidine ER
Once-a-day tablets for Musculo-Skeletal Pain

Tizanidine, currently available as immediate release tablets and capsules, has a short half-life and hence needs to be taken several times in a day. It is also associated with side effects, particularly dizziness and somnolence, which limits its dose and overall use.

SPARC has formulated extended release once-a-day tablets of Tizanidine. The formulation is expected to reduce the dose limiting side effects of Tizanidine and also improve patient compliance.

SPARC completed driving simulation study of Tizanidine ER and the results suggest that our formulation is less sedating as compared to immediate release Tizanidine tablets. We are working on clinical development strategy for this product.



Minocycline Topical for Acne

SPARC has formulated a novel topical Minocycline formulation for the treatment of Acne.

Minocycline is currently approved for treatment for Acne as oral tablets. However, oral Minocycline is associated with several systemic side effects. A topical formulation is expected to be free from such systemic side effects and provide better bioavailability at the site of action.

We have optimised the formulation and we plan to conduct IND enabling toxicological studies.

SUN – 597 Topical for Atopic Dermatitis and Psoriasis

SPARC has developed a topical formulation of its novel soft corticosteroid SUN – 597 for steroid responsive dermatoses. SUN – 597 has demonstrated preclinical efficacy in Psoriasis model. It also demonstrated low potential for skin thinning in animal studies.

SPARC completed required toxicology studies. We plan to initiate a Proof of Concept study in Psoriasis patients in Q2FY18.

SDN – 021 for Pain

SPARC is working on a Novel Delivery Platform to address the escalating problem of prescription drug abuse. It is estimated that every day in the USA, 46 people die of prescription painkillers overdose[3]. These deaths have more than quadrupled in the past decade and a half. Today, more people die from prescription opioid overdose than from heroin, cocaine and all other illegal drugs combined, an alarming trend that led the U.S. Centers for Disease Control to declare it an epidemic in November 2011.

SPARC has developed a platform technology to make a formulation, which can deter oral multi-pill abuse. We have filed patents for this technology.

We completed pilot PK study in healthy volunteers. The results of this study are encouraging and support the Proof of Concept of oral multi-pill abuse deterrence.

We plan to discuss the data with USFDA and seek their guidance on studies required for approval.

> *"We completed pilot PK study in healthy volunteers. The results of this study are encouraging and support the Proof of Concept of oral multi-pill abuse deterrence.*



3. Adapted from CDC vitalsigns™, July 2014

OUTLOOK

While we progress through the challenging times of uncertainties for approval of 2 products filed with USFDA, our other clinical programmes are rapidly advancing, resulting in a visible increase in cash burn. The silver line is that we have completed patient enrolment in pivotal studies of Baclofen GRS and DPI and have initiated a pivotal study for Taclantis™. If the outcome of these clinical trials are positive, we would have additional cash flow opportunities in the next 12 to 24 months.

We are aggressively replenishing our early stage pipeline as some of our promising early stage assets would transition to the clinical stage. Our early stage portfolio is now a balanced mix of delivery system innovations with medium term timelines for development and new chemical entities addressing the next generation of opportunities in known and validated biological pathways and a small set of opportunities addressing novel targets. Oncology, Neurodegeneration, Inflammation and Pain remain our therapeutic areas of focus.

HUMAN RESOURCE STRATEGY

The human resource strategy of the Company is focussed on attracting the best talent, while providing growth and learning opportunities to its employees. The HR processes are continuously evolving and aligning with the changing business requirements to create a culture of continuous learning and innovation among our employees. As on 31st March, 2017, the Company had a dedicated team of 398 people, of which close to 330 are scientists. With an aim of creating a culture of continuous learning among all our employees, the Company invested ~5000 hours in learning and developmental activities during the financial year.

RISKS AND CONCERNS

Innovative research is a high risk area, and we have consciously tried to take on manageable risks through our process of project selection and by simultaneously working on projects with different delivery timeframes and risk profile. But there is high likelihood that an investment may have to be abandoned if a project is dropped or changed in subsequent stages of research. A project may need longer time, or may need additional tests or costs that may not have been initially anticipated. We may or may not find a licensing partner to work with, in order to bring the product to market. A competing technology or product might limit the potential for our NCE or NDDS programmes.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

SPARC has in place a well-defined organisational structure and adequate internal controls for efficient operations. The Company has in place internal policies and is cognizant of applicable laws and regulations, particularly those related to the protection of intellectual properties, resources, assets and accurate reporting of the financial transactions. The Company upgrades these systems on a regular basis. The internal control systems are supplemented by extensive internal audits, conducted by an independent firm of chartered accountants.

"We have completed patient enrolment in pivotal studies of Baclofen GRS and DPI and have initiated a pivotal study for Taclantis™. If the outcome of these clinical trials are positive, we would have additional cash flow opportunities in the next 12 to 24 months.

SPARC - R&D PIPELINE



sparc

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Board's Report

Your Directors take pleasure in presenting the Twelfth Annual Report and Audited Accounts for the financial year ended 31st March, 2017.

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	Year ended 31st March, 2017	Year ended 31st March, 2016
Total Income	**19,465.05**	16,421.91
Profit/(Loss) before Interest, Depreciation & Tax	**(11,020.78)**	(6,025.65)
Interest	**181.98**	215.69
Depreciation	**823.97**	757.86
Profit/(Loss) before Tax	**(12,026.73)**	(6,999.20)
Tax Expense	**0.00**	0.00
Profit/(Loss) after Tax	**(12,026.73)**	(6,999.20)
Balance brought forward from Previous Year	**(22,297.93)**	(15,298.73)
Balance carried to Balance Sheet	**(34,324.66)**	(22,297.93)

DIVIDEND

In view of loss incurred during the year, your Directors do not recommend any dividend for the year under review.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return as provided under sub-section (3) of section 92 of the Companies Act, 2013 in prescribed form MGT-9 is enclosed as "Annexure 1" to this report.

SUBSIDIARY/ JOINT VENTURE/ ASSOCIATE COMPANY

The Company does not have any subsidiary, joint venture or associate company. Consequent to restructuring of promoter group holding, the Company has become a subsidiary of Shanghvi Finance Pvt. Ltd. with effect from 30th March, 2017.

SHARE CAPITAL & RIGHTS ISSUE

During the year, your Company had issued 1,02,04,081 fully paid-up equity shares of face value of ₹ 1 each ("Rights Issue Equity Shares") for cash at a price of ₹ 245 per equity share including a share premium of ₹ 244 per equity share aggregating up to ₹ 25,000 Lakhs to the existing equity shareholders on a rights basis in the ratio of 5 fully paid-up equity shares for every 116 fully paid-up equity shares held by the existing equity shareholders on the record date, i.e. March 17, 2016 ("The Issue").

The Issue was open for subscription from 28th March, 2016 to 13th April, 2016 (the Issue Closing Date was extended from April 11, 2016 to April 13, 2016). The Rights Issue Committee, in its meeting held on 27th April, 2016, approved the allotment of 1,02,04,081 Rights Issue Equity Shares to the successful applicants, based on the 'basis of allotment' approved by BSE Limited, the designated Stock Exchange for the issue. The shares were listed on BSE Limited & National Stock Exchange of India Limited (NSE) and were admitted for dealing by both the exchanges with effect from 3rd May, 2016.

The Board of Directors, in its meeting held on 29th July, 2016 and 28th October, 2016, annulled the forfeiture of 4,351 shares and 191 shares respectively, on receipt of applications along with the unpaid amount & interest for delayed payment from the concerned shareholders.

Consequent to the aforesaid allotment & annulment of forfeited shares, the paid-up share capital of the Company has increased from ₹ 23,66,87,354 to ₹ 24,68,95,977 during the previous financial year.

The Board of Directors, in their meeting held on 5th May, 2017, approved the issue and allotment of up to 1,51,51,515 warrants, each convertible into one fully paid equity share of the Company at a price of ₹ 330 each, to certain Promoter and Non-promoter entities on Preferential basis, subject to receipt of necessary approvals, including that of Shareholders.

TRANSFER OF SHARES TO UNCLAIMED SUSPENSE ACCOUNT

In compliance with the requirements of regulation 39 (4) of the Securities and Exchange Board of India Listing Obligation & Disclosure Requirements Regulations, 2015 [SEBI (LODR) Regulations], the Company had transferred 1,620 shares belonging to 14 shareholders to "SPARC Unclaimed Suspense Account", after sending three reminders to the concerned shareholders and following the procedures laid down under Schedule VI of the aforesaid Regulations.

As on 31st March, 2017, 1,584 shares belonging to 13 shareholders were lying unclaimed in the aforesaid account.

In compliance with the requirements of the SEBI (LODR) Regulations, all corporate benefits declared by the Company in future, in respect of the aforesaid shares shall be transferred to the aforesaid account until the rightful shareholders claim for the aforesaid shares. The voting rights on the aforesaid shares shall also remain frozen till the rightful owners claim the shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Dr. T Rajamannar (DIN: 01415412), retires by rotation at the ensuing Annual General Meeting, and being eligible offers himself for re-appointment.

Prof. Dr. Andrea Vasella (DIN: 01653058), Prof. Dr. Goverdhan Mehta (DIN: 00350615) and Mr. S. Mohanchand Dadha (DIN: 00087414), Independent Directors of the Company hold office upto the ensuing Annual General Meeting of the Company. The Board acknowledges and puts on record its appreciation for the valuable contributions made by the above members during their tenure as Directors of the Company.

The Board of Directors of the Company, in its meeting held on 5th May, 2017, appointed Dr. Ferzaan Engineer (DIN: 00025758) & Mr. Mark Simon (DIN: 07807378) as Additional Directors of the Company under section 161 of the Companies Act, 2013 to hold office up to the ensuing Annual General Meeting of the Company. In view of the impressive qualifications & experience of the aforesaid Directors, it is proposed to appoint Dr. Ferzaan Engineer & Mr. Mark Simon as Independent Directors of the Company for a term of 3 years, to hold office up to the conclusion of the fifteenth Annual General Meeting of the Company.

Mr. Sudhir V. Valia, resigned from his position as the Chief Financial Officer of the Company at the end of working hours on 31st January, 2017. In view of the above, the Board has appointed Mr. Chetan Rajpara as the Chief Financial Officer of the Company with effect from 1st February, 2017. Post his resignation as the Chief Financial Officer of the Company, Mr. Sudhir V. Valia continues to be associated with the Company in his position of Non-Executive Director.

Appropriate resolutions for the appointment/re-appointment of Directors as detailed above are being placed for your approval at the ensuing Annual General Meeting.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

For the purpose of selection of any Director, the Nomination & Remuneration Committee identifies persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and also takes into consideration recommendation, if any, received from any member of the Board. The Committee also ensures that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

The Board, on the recommendation of the Nomination & Remuneration Committee, has framed a policy for selection, appointment and remuneration of Directors and Senior Management.

The summary of Remuneration Policy is disclosed in the Corporate Governance Report, which forms a part of this Report.

FAMILIARISATION PROGRAMME FOR THE INDEPENDENT DIRECTORS

In compliance with the requirements of the SEBI (LODR) Regulations, the Company has put in place a Familiarisation Programme for the Independent Directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model etc. The detail of such programme is available on the website of the company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm.

NUMBER OF MEETINGS OF THE BOARD

The Board of Directors of the Company met four times during the previous financial year on 6th May, 2016, 29th July, 2016, 28th October, 2016 and 27th January, 2017. The particulars of attendance of the Directors at the said meetings are detailed in the Corporate Governance Report which forms a part of this Report. The intervening gaps between the meetings were within the period prescribed under the Companies Act, 2013 and SEBI (LODR) Regulations.

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

In view of Securities and Exchange Board of India's ('SEBI') notification no. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated 5th January, 2016 on 'Guidance Note on Board Evaluation', the Board of Directors, on the recommendation of the Nomination & Remuneration Committee, adopted revised set of criteria, aligned with the recommendations of SEBI, for evaluation of the Board of Directors of the Company, including the individual Directors and the Committees of the Board.

The Board of Directors have also carried out an annual evaluation of its own performance, its various committees and individual directors pursuant to the provisions of the Act and the Corporate Governance requirements as prescribed under regulation 17(10), 25(4) and other applicable provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of various criteria such as Structure of the Board, Meetings of the Board, Functions of the Board, Board and Management, Professional Development, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of criteria such as Mandate and composition, Effectiveness of the Committee, Structure of the Committee and meetings, Independence of the Committee from the Board, Contribution to decisions of the Board etc.

The Board and the Nomination and Remuneration Committee reviewed the performance of the individual Non-Independent Directors on the basis of criteria such as qualifications, experience, knowledge & competency, fulfilment of functions, ability to function as a team, initiative, availability and attendance, commitment (as a Director), contribution & integrity.

The individual Independent Directors were reviewed, based on the additional criteria of Independence and Independent Views & Judgment. Similarly, the performance of the Chairman was evaluated based on the following additional criteria such as effectiveness of leadership and ability to steer the meetings, impartiality, commitment (as Chairperson) and ability to keep shareholders' interests in mind.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the various Committees of the Board and the Board as a whole and performance of the Chairman was evaluated, taking into account the views of the executive directors and non-executive directors. The same was discussed in the board meeting that followed the meeting of independent directors, at which the performance of the Board, its committees and individual Directors was also discussed.

HUMAN RESOURCES

As on 31st March, 2017, your Company had a dedicated team of over 398 people, of which around 330 are highly qualified and experienced scientists. In the last year, we considerably strengthened our team by attracting top quality scientific talent, with extensive experience in drug research internationally.

In addition to increasing our participation at international conferences for continuous knowledge up-gradation, we have also put in place effective training and career progression plans for our employees.

Your Directors recognize the team's valuable contribution and place on record their appreciation for Team SPARC.

Information as per Section 197 (12) of the Companies Act, 2013, read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is annexed ("Annexure 2") to this report. Further, pursuant to section 136 (1) of the Companies Act, 2013, the Report and the accounts are being sent to the members excluding the information under rule 5(2) & 5(3) aforesaid. In terms of section 136 of the Act, the said annexure is available for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

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

Your Company strongly believes in providing a safe and harassment-free workplace for each and every individual working for the Company through various interventions and practices. It is the continuous endeavour of the Management of the Company to create and provide an environment to all its employees that is free from discrimination and harassment, including sexual harassment.

During the year ended 31st March, 2017, no complaint pertaining to sexual harassment was received by the Company.

AUDITORS

Statutory Auditors

The Company's Auditors, Deloitte Haskins & Sells LLP. Chartered Accountants, Mumbai (Regn. No. 117366W/W-100018), were appointed as the Statutory Auditors of the Company for a period of three years, up to the conclusion of the twelfth Annual General Meeting of the Company, subject to ratification by members at every Annual General Meeting of the Company. In terms of section 139 of the Companies Act, 2013, Deloitte Haskins & Sells LLP. Chartered Accountants retire as the Auditors of the Company at the conclusion of the ensuing Annual General Meeting.

The Audit Committee and the Board of Directors of the Company, in its meeting held on 5th May, 2017, recommended the appointment of SRBC & Co. LLP, Chartered Accountants, (Regn. No. 324982E) as the new Statutory Auditors of the Company for a term of five years, to hold office up to the conclusion of the seventeenth Annual General Meeting of the Company.

The Board of Directors places on record its appreciation for the valuable contribution of Deloitte Haskins & Sells LLP, during their association as the Statutory Auditors of the Company.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed C. J. Goswami & Associates, Company Secretaries, to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report is annexed herewith as "Annexure 3".

The Financial Audit Report and the Secretarial Audit Report for the financial year 2016-17 do not contain any qualification, reservation or adverse remark by the Auditors.

LOANS, GUARANTEES & INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

RELATED PARTY TRANSACTIONS

All contracts/arrangements entered by the Company during the previous financial year with the related parties were in the 'Ordinary Course of Business' and on 'Arm's Length Basis'.

There are no materially significant Related Party Transactions between the Company and the Directors, the management or the relatives, except for those disclosed in the financial statements and Form AOC-2 ("Annexure 4").

All Related Party Transactions were subjected to independent review by Dhruv A. & Co., Chartered Accountants to determine adherence to 'Arm's Length Price' and by Bathiya & Associates LLP, Chartered Accountants, to establish compliance with 'Ordinary Course of Business' requirement. All Related Party Transactions, along with the aforesaid certificates, were also placed before the Audit Committee for review and approval. Prior Omnibus approval is obtained for Related Party Transactions which are of repetitive in nature and are entered in Ordinary Course of Business and at Arm's Length Price.

The policy on Related Party Transactions as approved by the Board is available on the website of the company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm.

The particulars of Related Party Transactions entered into by the Company during the previous financial year, individually or taken together with similar transactions during the last financial year, which exceeded ten percent of the annual turnover of the Company during the financial year 2015-16, are enclosed in prescribed Form AOC-2 as "Annexure 4".

Your Directors also draw your attention to "Annexure A" to the Notes on the Financial Statements, which sets out Related Party Disclosures.

AUDIT COMMITTEE COMPOSITION

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

RISK MANAGEMENT

The Board of Directors has developed & implemented a robust Risk Management Policy, which lays down the procedure to identify, monitor and mitigate the key elements of risks that threaten the existence of the Company. The Audit Committee reviews the status of key risks and steps taken by the Company, to mitigate such risks at regular intervals.

INTERNAL FINANCIAL CONTROLS

The Company has in place a well-defined organizational structure and adequate internal controls for efficient operations which is cognizant of applicable laws and regulations, particularly those related to protection of intellectual properties, resources, assets, and the accurate reporting of financial transactions in the financial statements. The Company continually upgrades these systems. The internal control systems are supplemented by extensive internal audits, conducted by an independent firm of chartered accountants.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with the requirements of section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014, the Board of Directors has constituted a Corporate Social Responsibility Committee. The details of membership of the Committee & the meetings held are given in the Corporate Governance Section of the Report.

The CSR Policy of the Company as approved by the Board on the recommendation of the Corporate Social Responsibility Committee is available on the website of the company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm

Since the average net profits of the Company during the three immediately preceding financial years were negative, the Company was not required to spend any money on CSR activities during the previous financial year.

PUBLIC DEPOSITS

The Company has not accepted any Public Deposit during the year under review, under the provisions of the Companies Act, 2013 and the rules framed thereunder.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis on the operations of the Company, as prescribed under Schedule V read with regulation 34(3) of the SEBI (LODR) Regulations, is provided in a separate section and forms a part of this Report.

CORPORATE GOVERNANCE REPORT

Report on Corporate Governance and Certificate of the Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Schedule V read with regulation 34(3), of the SEBI (LODR) Regulations, are provided in a separate section and forms a part of this Report.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report of the Company for the year ended 31st March, 2017, in line with Green Initiative as required under Clause 34 (2) (f) of the SEBI (LODR) Regulations, forms part of this Report and is available on the website of the Company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm. The same is also kept at the Registered Office of the Company for inspection. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed as "Annexure 5".

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

No significant or material orders were passed by the Regulators or Courts or Tribunals during the previous year which may impact the Going Concern Status of the Company's future operations.

WHISTLE BLOWER POLICY/ VIGIL MECHANISM

To create enduring value for all stakeholders and ensure the highest level of honesty, integrity and ethical behaviour in all its operations, the Company has formulated a Vigil Mechanism named as 'SPARC Whistle Blower Policy' in addition to the existing Code of Conduct that governs the actions of its employees. This Policy aspires to encourage all employees to report suspected or actual occurrence of illegal, unethical or inappropriate events (behaviours or practices) that affect Company's interest / image.

The Policy is available on the website of the Company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 134(5) read with section 134(3) (c) of the Companies Act, 2013, with respect to Directors Responsibility Statement, it is hereby confirmed that:

a) in the preparation of the annual accounts for the financial year ended 31st March, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2017 and of the loss of the Company for the year ended on that date;

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

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

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

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

ACKNOWLEDGEMENTS

Your Directors wish to thank all stakeholders, business partners, Company's bankers, medical professionals and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board of Directors

Dilip S. Shanghvi
Chairman & Managing Director

Place: Mumbai
Date: May 5, 2017

Annexure - 1

FORM MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended 31st March, 2017
Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1)
of the Companies (Management and Administration) Rules, 2014

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	L73100GJ2006PLC047837
ii)	Registration Date	1-Mar-06
iii)	Name of the Company	Sun Pharma Advanced Research Company Limited
iv)	Category/ Sub-category of the Company	Company Limited By Shares
v)	Address of the Registered Office and Contact details	SPARC, Akota Road, Akota, Vadodara-390020, Gujarat Tel. : +91 265 2330815
vi)	Whether Listed Company	Yes
vii)	Name , Address , and Contact details of Registrar & Transfer Agent	Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai-400 083 Tel. :+91 22 4913 6000 +91 22 4918 6270

II PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

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

Sr. no	Name and Description of Main Products/Services	NIC code of the Product/ Service	% to total turnover of the Company
1	Research and Experimental Development on Natural Sciences and Engineering (Pharmacy)	M 72 72100	100.00

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Shanghvi Finance Pvt. Ltd F. P. 145, Ram Mandir Road, Vile Parle East, Mumbai-400 057	U65910MH1989PTC053111	Holding	52.33	2 (87) (ii)

IV SHAREHOLDING PATTERN (Equity Share Breakup as percentage of Total Equity)

i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (1st April, 2016)				No. of Shares held at the end of the year (31st March, 2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A Promoters*									
1) Indian									
a) Individual/HUF	3,56,96,164	0	3,56,96,164	15.08	3,58,78,251	0	3,58,78,251	14.53	0.07
b) Central/State Government	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	12,32,74,062	1,200	12,32,75,262	52.08	12,92,21,342	1,200	12,92,22,542	52.34	2.41
d) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other									
Trusts	1,47,791	0	1,47,791	0.06	1,54,922	0	1,54,922	0.06	0.00
Firms	4,07,513	0	4,07,513	0.17	0	0	0	0.00	-0.17
Sub total (A) (1)	15,95,25,530	1,200	15,95,26,730	67.40	16,52,54,515	1,200	16,52,55,715	66.93	2.32
2) Foreign									
a) Individuals (NRIs)	0	0	0	0.00	0	0	0	0.00	0.00
b) Other Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
Sub total (A) (1) (A) (2)	0	0	0	0.00	0	0	0	0.00	0.00
Total Shareholding of Promoters (A)=(A)(1)+(A)(2)	15,95,25,530	1,200	15,95,26,730	67.40	16,52,54,515	1,200	16,52,55,715	66.93	2.32
B Public Shareholding									
1) Institutions									
a) Mutual Funds	23,60,605	2,49,144	26,09,749	1.10	29,60,204	2,49,144	32,09,348	1.30	0.24
b) Banks/FI	1,29,012	84	1,29,096	0.05	1,09,986	84	1,10,070	0.04	-0.01
c) Central/State Government	0	0	0	0.00	0	0	0	0.00	0.00
d) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
e) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
f) FIIs/ FPIs	1,71,12,867	1,200	1,71,14,067	7.23	1,80,91,177	1,200	1,80,92,377	7.33	0.40
g) Foreign Venture Capital	0	0	0	0.00	0	0	0	0.00	0.00
j) Any other (UTI):	4,31,121	100	4,31,221	0.18	4,49,703	100	4,49,803	0.18	0.01
Sub total (B) (1)	2,00,33,605	2,50,528	2,02,84,133	8.57	2,16,11,070	2,50,428	2,18,61,598	8.85	0.64

* includes Promoter Group and Person Acting in Concert with the Promoter Group

Category of Shareholders	No. of Shares held at the beginning of the year (1st April, 2016)				No. of Shares held at the end of the year (31st March, 2017)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2) Non- Institutions									
a) Bodies Corporate									
i) Indian	95,42,682	16,039	95,58,721	4.04	1,00,56,747	12,439	1,00,69,186	4.08	0.21
ii) Overseas	9,600	0	9,600	0.00	9,600	0	9,600	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	2,65,65,558	9,38,425	2,75,03,983	11.62	2,52,74,356	8,87,947	2,61,62,303	10.60	-0.54
ii)Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	60,30,118	0	60,30,118	2.55	95,21,683	0	95,21,683	3.86	1.41
c) Others (specify)									
i) Non Resident Indians (Repat)	8,87,822	13,134	9,00,956	0.38	8,39,235	12,930	8,52,165	0.35	-0.02
ii)Non Resident Indians (Non-Repat)	3,90,563	0	3,90,563	0.17	3,63,505	0	3,63,505	0.15	-0.01
iii)Clearing Members	4,07,753	0	4,07,753	0.17	5,18,958	0	5,18,958	0.21	0.05
iv) Trusts	98,61,323	0	98,61,323	4.17	1,03,18,870	0	1,03,18,870	4.18	0.19
v)Hindu Undivided Families	22,13,474	0	22,13,474	0.94	19,62,294	0	19,62,294	0.79	-0.10
vi) Others (Foreign Nationals)	100	0	100	0.00	100	0	100		0.00
Sub total (B) (2)	5,59,08,893	9,67,598	5,68,76,491	24.03	5,88,65,348	9,13,316	5,97,78,664	24.21	1.18
Total Public Shareholding Public Group (B)= (B)(1)+(B)(2)	7,59,42,498	12,18,126	7,71,60,624	32.60	8,04,76,418	11,63,744	8,16,40,262	33.07	1.81
C Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
GRAND TOTAL (A)+(B)+(C)	23,54,68,028	12,19,326	23,66,87,354	100.00	24,57,30,933	11,64,944	24,68,95,977	100.00	4.13

ii) Shareholding of Promoters

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Dilip S. Shanghvi	2,68,09,395	11.33	0.00	28102795	11.38	0.00	0.05

iii) Change in Promoters' Shareholding* (please specify, if there is no change)

Sr. No	Name	Shareholding at the beginning of the year		Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Shareholding– Cumulative/at the end of the year	
		No. of Shares	% of total Shares	Date	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total Shares
1	Dilip S. Shanghvi	2,68,09,395	11.33	27-Apr-16	1293400	Allotment in Right Issue	2,81,02,795	11.38

* Does not include Promoter Group and Person Acting in Concert with the Promoter Group

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

Sr. No	Name	Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Shareholding– Cumulative/ at the end of the year	
		No. of Shares	% of total Shares	Date *	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total Shares
1	Viditi Investments Pvt. Ltd.	2,35,55,458	9.95	27-Apr-16	11,36,419	Allotment in Rights Issue	2,46,91,877	10.00
2	Tejaskiran PharmaChem Industries Pvt. Ltd.	2,31,22,598	9.77	27-Apr-16	11,15,534	Allotment in Rights Issue	2,42,38,132	9.82
3	Quality Investment Pvt. Ltd.	2,27,35,998	9.61	27-Apr-16	10,96,882	Allotment in Rights Issue	2,38,32,880	9.65
4	Family Investment Pvt. Ltd.	2,25,78,841	9.54	27-Apr-16	10,89,300	Allotment in Rights Issue	2,36,68,141	9.59
5	Virtuous Share Investments Pvt. Ltd.	1,19,68,080	5.06	27-Apr-16	5,77,393	Allotment in Rights Issue	1,25,45,473	5.08
6	Virtuous Finance Pvt. Ltd.	1,12,62,658	4.76	27-Apr-16	5,43,302	Allotment in Rights Issue	1,18,05,960	4.78
7	Sun Pharmaceutical Industries Key Employees Benefit Trust	98,42,530	4.16	27-Apr-16	4,74,847	Allotment in Rights Issue	1,03,17,377	4.18

* Date of download of Beneficiary data by the Company

Sr. No	Name	Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Shareholding– Cumulative/ at the end of the year	
		No. of Shares	% of total Shares	Date *	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total Shares
8	Seafarer Overseas Growth and Income Fund	57,25,000	2.42	15-Apr-16	95,773	Transfer	58,20,773	2.46
				29-Apr-16	55,251	Transfer	58,76,024	2.38
				6-May-16	2,38,250	Transfer	61,14,274	2.48
				13-May-16	1,54,380	Transfer	62,68,654	2.54
				20-May-16	17,684	Transfer	62,86,338	2.55
				27-May-16	1,76,912	Transfer	64,63,250	2.62
				10-Jun-16	3,699	Transfer	64,66,949	2.62
				24-Jun-16	88,566	Transfer	65,55,515	2.66
				30-Jun-16	2,506	Transfer	65,58,021	2.66
				15-Jul-16	50,000	Transfer	66,08,021	2.68
				5-Aug-16	54,347	Transfer	66,62,368	2.70
				19-Aug-16	1,87,632	Transfer	68,50,000	2.77
				26-Aug-16	1,25,000	Transfer	69,75,000	2.83
				16-Sep-16	1,75,000	Transfer	71,50,000	2.90
				7-Oct-16	1,181	Transfer	71,51,181	2.90
				21-Oct-16	15,566	Transfer	71,66,747	2.90
				11-Nov-16	1,49,149	Transfer	73,15,896	2.96
				18-Nov-16	25,697	Transfer	73,41,593	2.97
				25-Nov-16	1,55,929	Transfer	74,97,522	3.04
				23-Dec-16	52,478	Transfer	75,50,000	3.06
				3-Feb-17	50,000	Transfer	76,00,000	3.08
				24-Feb-17	2,581	Transfer	76,02,581	3.08
				24-Mar-17	46,265	Transfer	76,48,846	3.10
9	Aditya Medisales Limited	46,63,156	1.97	27-Apr-16	2,24,970	Allotment in Rights Issue	48,88,126	1.98
10	Matthews India Fund	41,96,014	1.77	-	-	No change during the year	41,96,014	1.70

* Date of download of Beneficiary Data by the Company

v) **Shareholding of Directors and Key Managerial Personnel:**

Sr. No	Name	Shareholding at the beginning of the year		Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)			Shareholding– Cumulative/ at the end of the year	
		No. of Shares	% of total Shares	Date	Increase/ (Decrease) in shareholding	Reason	No. of Shares	% of total Shares
1	Dilip S. Shanghvi Chairman & Managing Director	2,68,09,395	11.33	27-Apr-16	12,93,400	Allotment in Right Issue	2,81,02,715	11.38
2	Sudhir V. Valia Director (Director & CFO upto 31st January 2017)	17,58,169	0.74	27-Apr-16	75,782	Allotment in Right Issue	18,33,951	0.74
3	T. Rajamannar Non-Executive Director	35,657	0.02	-	-	No change during the year	35,657	0.01
4	Mr. S. Mohanchand Dadha Independent Director	0	0.00	-	-	No change during the year	0	0.00
5	Prof. Dr. Goverdhan Mehta Independent Director	0	0.00	-	-	No change during the year	0	0.00
6	Prof. Dr. Andrea Vasella Independent Director	0	0.00	-	-	No change during the year	0	0.00
7	Ms. Bhavna Doshi Independent Director	0	0.00	-	-	No change during the year	0	0.00
8	Mr. Chetan Rajpara CFO (from 1st February, 2017)	10,285	0.00	-	-	No changes during his tenure as CFO	10,285	0.00
9	Mr. Debashis Dey Company Secretary	0	0.00	-	-	No change during the year	0	0.00

V) INDEBTEDNESS

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

(₹ in Lakhs)

Sr. no.		Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
1	**Indebtedness at the beginning of the financial year**				
	i) Principal Amount	127.51	547.24	4,900.00	5,574.75
	ii) Interest due but not paid	0.00	0.00	74.12	74.12
	iii) Interest accrued but not due	0.00	13.58	0.00	13.58
	Total (i+ii+iii)	**127.51**	**560.82**	**4,974.12**	**5,662.45**
2	**Change in Indebtedness during the financial year**				
	i) Addition	0.00	0.00	0.00	0.00
	ii) Reduction	127.51	242.34	4,974.12	5,343.97
	Net Change (i+ii)	**127.51**	**242.34**	**4,974.12**	**5,343.97**
3	**Indebtedness at the end of the financial year**				
	i) Principal Amount	0.00	313.71	0.00	313.71
	ii) Interest due but not paid	0.00	0.00	0.00	0.00
	iii) Interest accrued but not due	0.00	4.77	0.00	4.77
	Total (i+ii+iii)	**0.00**	**318.48**	**0.00**	**318.48**

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration to Managing Director, Whole Time Directors and/or Manager

(₹ in Lakhs)

Sr. no.	Particulars of Remuneration	Dilip S. Shanghvi Chairman & MD	Sudhir V. Valia* Director & CFO	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained u/s 17(1) of the Income-tax Act,1961	0.00	0.00	0.00
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0.00	0.00	0.00
	(c) Profits in lieu of salary u/s 17(3) Income- tax Act, 1961	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00
4	Commission			
	as a % of profit	0.00	0.00	0.00
	others (specify)	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00
	Total (A)	**0.00**	**0.00**	**0.00**
	Ceiling as per the Act	N.A.	N.A.	N.A.

* upto 31st January, 2017

B) Remuneration to other Directors:

(₹ in Lakhs)

Sr. no.	Particulars of Remuneration	Name of Director						Total Amount
		Mr. Sudhir V. Valia*	Dr. T. Rajamannar	Mr. S. Mohanchand Dadha	Prof. Dr. Goverdhan Mehta	Prof. Dr. Andrea Vasella	Ms. Bhavna Doshi	
1	**Independent Directors**							
	i) Fee for attending board committee meetings			4.20	5.10	3.60	5.40	18.30
	ii) Commission			0.00	0.00	0.00	0.00	0.00
	iii) Others, please specify			0.00	0.00	0.00	0.00	0.00
	Total (1)							18.30
2	**Other Non-Executive Directors**							
	i) Fee for attending board committee meetings	0.00	3.30					3.30
	ii) Commission	0.00	0.00					0.00
	iii) Others, please specify	0.00	0.00					0.00
	Total (2)							3.30
	Total (B)=(1+2)	**0.00**	**3.30**	**4.20**	**5.10**	**3.60**	**5.40**	**21.60**
	Total Managerial Remuneration (A+B)							21.60
	Overall Ceiling as per the Act							N.A.

* w.e.f. 1st February, 2017

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

(₹ in Lakhs)

Sr. no.	Particulars of Remuneration	Name of Key Managerial Personnel			Total Amount
		Mr. Sudhir V. Valia CFO (upto 31st January, 2017)	Mr. Chetan Rajpara CFO (w.e.f. 1st February, 2017)	Mr. Debashis Dey Company Secretary	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.00	17.22	24.33	41.55
	(b) Value of perquisites under section 17(2) of the Income Tax Act, 1961	0.00	0.01	0.00	0.01
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0.00	0.00	0.00	0.00
2	Stock Option	0.00	0.00	0.00	0.00
3	Sweat Equity	0.00	0.00	0.00	0.00
4	Commission				
	as % of profit	0.00	0.00	0.00	0.00
	others (specify)	0.00	0.00	0.00	0.00
5	Others, please specify	0.00	0.00	0.00	0.00
	Total	0.00	17.23	24.33	41.56

VII) **Penalties / Punishment/ Compounding of Offences:**

Type	Sections of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

Annexure - 2

INFORMATION REQUIRED UNDER SECTION 197 OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

I) Ratio of the remuneration* of each director to the median remuneration of the employees of the Company for the financial year

Name of Director	Ratio of remuneration of each Director/ to median remuneration of employees
Mr. Dilip S. Shanghvi	N.A.
Mr. Sudhir V. Valia	N.A.
Mr. T. Rajamannar	0.41
Mr. S. Mohanchand Dadha	0.52
Prof. Dr. Goverdhan Mehta	0.63
Prof. Dr. Andrea Vasella	0.44
Ms. Bhavna Doshi	0.66

II) Percentage increase in remuneration* of each director and Key Managerial Personnel, if any, in the financial year

Name & Designation of Director & KMP	% increase in remuneration in the Financial Year 2016-17
Mr. Dilip S. Shanghvi (Chairman & Managing Director)	NIL
Mr. Sudhir V. Valia # (Director)	NIL
Mr. T. Rajamannar (Director)	-8.33
Mr. S. Mohanchand Dadha (Non-Executive Independent Director)	7.69
Prof. Dr. Goverdhan Mehta (Non-Executive Independent Director)	41.67
Prof. Dr. Andrea Vasella (Non-Executive Independent Director)	-25.00
Ms. Bhavna Doshi (Non-Executive Independent Director)	NIL
Mr. Chetan Rajpara (CFO)	NIL^
Mr. Debashis Dey (Company Secretary)	15.00

* Remuneration includes sitting fees paid
\# Also CFO upto 31st January, 2017
^ NIL as appointed w.e.f. 1st February, 2017

III) Percentage increase in the median remuneration of employees in the financial year (Median 2016-17/ Median 2015-16)

11.70

IV) Number of permanent employees on the rolls of company as on 31st March, 2016

398

V) Explanation on the relationship between average increase in remuneration and company performance

The Company, being a pure research & development Company, invests in quality human capital and the remuneration paid/ increment given by it to the employees is governed by its objective to attract & retain best talents and is not directly related to the financial performance of the Company.

VI) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company;

(₹ in Lakhs)

Aggregate remuneration of Key Managerial Personnel in FY 2016-17	41.56
Total Revenue of the Company in FY 2016-17	19465.05
Remuneration of KMP (as % of revenue)	0.21

VII) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year:

(₹ in Lakhs)

Particulars	As on 31st March, 2017	As on 31st March, 2016	% change
Market Capitalisation	781302.32	679341.76	15.01
PE Ratio	(64.98)	(96.96)	(32.98)

VIII) Percentage increase/decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer and the variations in the net worth of the Company as at the close of the current financial year and previous financial year

Market Quotations

Exchange	Market Price as on 31st March, 2017	April 11, 2016 Rights Issue	% change
BSE	316.70	245.00	29.27
NSE	316.45	245.00	29.16

Net Worth (₹ in Lakhs)

As on 31st March, 2017	As on 31st March, 2016	% change
15,806.17	2,814.37	461.62

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

Average percentage increase in salary of employees other than managerial personnel: 14.90

Average percentage increase in salary of managerial personnel: 15.00*

(* Increase in salary of Mr. Chetan Rajpara has not been considered since he was appointed as the CFO of w.e.f. 1st February, 2017)

X) Comparison of the remuneration of each Key Managerial Personnel against the performance of the company

(₹ in Lakhs)

	Mr. Chetan Rajpara (CFO)**	Mr. Debashis Dey (CS)
Remuneration of Key Managerial Personnel in FY 2016-17	17.23	24.33
Total Revenue of the Company in FY 2016-17	19,465.05	19,465.05
Remuneration of KMP (as % of revenue)	0.09	0.12

** from 1st February, 2017 to 31st March, 2017

XI) Key parameters for any variable component of remuneration availed by the directors;

There was no variable component in the remuneration drawn by any of the Directors of the Company. Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V. Valia, Director & CFO (upto 31st January, 2017) did not draw any remuneration from the Company.

XII) Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year

Not Comparable since Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V. Valia, Director & CFO (upto 31st January, 2017) did not draw any remuneration from the Company.

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

Note : All the details of remuneration given above are as per section 17 of the Income Tax Act, 1961, and the ratios are calculated on that basis.

Annexure – 3

Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017.
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Sun Pharma Advanced Research Company Limited,
Vadodara, Gujarat.

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31st March, 2017**, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017, according to the provisions of:

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

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

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

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment (Regulations relating to Overseas Direct Investment and External Commercial Borrowings not attracted to the Company for the year under review);

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

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

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

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

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

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

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

g. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 – Not applicable to the Company for the year under review;

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

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

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

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

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

We further report that:

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

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

3. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

Based on the compliance mechanism established by the Company and on the basis of the Compliance Certificate(s) issued by the Respective Plant Heads/ Occupiers of R&D Centres of the Company and taken on records by the Board of Directors at their meeting(s), we are of the opinion that the management has:

a) Adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines;

b) Identified and complied with following laws applicable to the Company:

- Drugs and Cosmetics Act, 1940;
- The Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
- Environment Protection Act, 1986;
- Factories Act, 1948.

We further report that during the year under review, the Company had allotted 1,02,04,081 (One Crore Two Lacs Four Thousand and Eighty-One) fully paid-up Equity shares of Re. 1/- each at a price of ₹ 245/- (including premium of ₹ 244/-) per Equity share aggregating to ₹ 25,000 lakhs to its existing equity shareholders on 27th April, 2016 by way of Right issue for which offer period commenced on 28th March, 2016 and concluded on 13th April, 2016.

We further report that on 30th March, 2017, pursuant to acquisition of controlling stake in certain entities, Shanghvi Finance Private Limited has gained direct/ indirect control on 52.336% of the total share capital of the Company, thereby making the Company its subsidiary in terms of Section 2(87)(ii) of the Companies Act, 2013.

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

Chintan J. Goswami
Proprietor
Mem No. - 33697
C. P. No. - 12721

Date: 5th May, 2017
Place: Mumbai

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

ANNEXURE A

To,
The Members,
Sun Pharma Advanced Research Company Limited,
Vadodara, Gujarat.

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

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

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

Chintan J. Goswami
Proprietor
Mem No. - 33697
C. P. No. - 12721

Date: 5th May, 2017
Place: Mumbai

Annexure - 4

FORM AOC-2

Form for disclosure of particulars of contracts/arrangements entered into by the company with Related Parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

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

I) Details of contracts or arrangements or transactions not at arm's length basis : N.A.

(a)	Name(s) of the related party and nature of relationship	N.A.
(b)	Nature of contracts/arrangements/transactions	N.A.
(c)	Duration of the contracts/arrangements/transactions	N.A.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	N.A.
(e)	Justification for entering into such contracts or arrangements or transactions	N.A.
(f)	Date(s) of approval by the Board	N.A.
(g)	Amount paid as advances, if any	N.A.
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	N.A.

II) Details of material contracts or arrangement or transactions at arm's length basis

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advance, if any
(a) Sun Pharmaceutical Industries Ltd.	Master Support Service Agreement (Rendering / Receiving of Research & Development Services)	Valid until terminated in accordance with the terms & conditions of the Agreement	Based on each party's requirements from time to time, either party may request the other party to provide certain range of research & development and other support services, including but not limited to clinical trial services, pharmacovigilance service, etc. to each other in its ordinary course of business, on various terms and conditions which are on arm's length basis. Pricing: Fully absorbed internal costs incurred by performing party in providing the services plus a mark-up of thirty percent (30%).	Not Applicable	Nil
(b) Sun Pharma Laboratories Ltd.	Master Licensing Agreement (License Fees / Royalty on Technology)	Valid until terminated in accordance with the terms & conditions of the Agreement	Products/ technologies/know how may be licensed by way of a Product Specific Exhibit. The agreement provides clauses for entering into exclusive licence under certain licensed rights in respect of certain licensed products in certain licensed fields in certain licensed territory. Pricing: License Fees shall be based on the 'Net Present Value' (NPV) split from revenues from commercialization of the licensed product, provided however that such NPV split shall not be less than 10% and more than 40% in favour of the Company.	Not Applicable	Nil

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advance, if any
(c) Sun Pharma Global FZE	Master Licensing Agreement (License Fees / Royalty on Technology)	Valid until terminated in accordance with the terms & conditions of the Agreement	Products/ technologies/know how may be licensed by way of a Product Specific Exhibit. The agreement provides clauses for entering into exclusive licence under certain licensed rights in respect of certain licensed products in certain licensed fields in certain licensed territory. Pricing: License Fees shall be based on the NPV split from revenues from commercialization of the licensed product, provided however that such NPV split shall not be less than 10% and more than 40% in favour of the Company.	Not Applicable	Nil
(d) Sun Pharmaceutical Industries Inc.	Reimbursement of Expenses incurred by SPI Inc, on behalf of the Company	Not Applicable	Need based temporary agreement, formal 'Shared Services Agreement' proposed for the approval of the members at the ensuing AGM	Not Applicable	Nil

Annexure – 5

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

I) CONSERVATION OF ENERGY

Our operations are not energy intensive. However, the Company endeavours to optimize the use of energy and has taken adequate steps to avoid wastage and has used the latest technology & equipment.

II) TECHNOLOGY ABSORPTION

RESEARCH & DEVELOPMENT

1. Specific areas in which R&D is carried out by the Company

SPARC works on innovation and new product development for regulated markets like US, EU & Japan, as well as for India and Emerging markets.

The Company develops New Chemical Entities and products based on its proprietary Novel Drug Delivery Systems. The Company's core therapeutic areas of interest include Oncology, Inflammation, Neurodegenerative Diseases and developing Abuse Deterrent Formulations.

The Company's current business model is to license out its products to potential partners and to generate revenue from upfront and milestone payments.

i) New Chemical Entities (NCE)

(a) Inflammation

SUN-0597 is a novel corticosteroid with improved safety profile. In pre-clinical models, it has shown low potential for skin atrophy and demonstrated better efficacy as compared to low and mid-potency steroids like Triamcinolone. SUN-0597 is being developed for treatment of Atopic Dermatitis and Psoriasis. SPARC has completed required toxicology studies for first in human clinical studies. The Company plans to initiate a Proof of Concept study in Psoriasis in FY18.

(b) Anticancer

SUN-K0706 and SUN-K0954 (back up compound) are potent, orally active and highly selective Bcr-Abl Tyrosine Kinase Inhibitors (TKIs) being developed for treatment of Chronic Myeloid Leukaemia (CML). In pre-clinical models, both the compounds have shown to inhibit key Imatinib resistant mutations including T315I mutations.

These compounds are highly selective and target very few kinases and have demonstrated very good safety profile in animal studies. For SUN-K0706 SPARC has completed Phase 1a studies in healthy volunteers and has initiated Phase 1b studies in CML patients. SUN-K0954 is under pre-clinical evaluation.

ii) Novel Drug Delivery Systems (NDDS)

(a) Gastric Retention System (GRS)

SPARC's innovative Gastric Retention System (GRS) allows longer retention of drug in the stomach and improves gastrointestinal absorption of drugs that have a narrow absorption window. SPARC has developed Baclofen GRS once – a - day using this technology for the treatment of spasticity. The Company has completed the patient enrolment for all the planned clinical studies and if results of these studies are positive, the Company plans to file the New Drug Application (NDA) by the end of FY18.

(b) Wrap Matrix™ Technology

This technology helps to develop multi-layered matrix-based functionally coated tablet, which offers controlled release for high dose and high solubility drugs. Once-a-day dosing can be achieved using this technology.

SPARC has developed Elepsia™ XR (Levetiracetam ER 1000 mg and 1500 mg), an anti- epileptic, using the Wrap Matrix™ Technology. The Company has been granted composition and dose specific patents for Elepsia™ XR in

the USA. NDA for Elepsia™ XR has been filed with USFDA for marketing approval and is under review. USFDA has communicated to SPARC that NDA cannot be approved until satisfactory resolution of the deficiencies identified at manufacturing facility during the recent USFDA inspection. Our manufacturing partner Sun Pharmaceutical Industries Ltd. is working with USFDA on remediation plans.

The Company has developed an extended release once-a-day dosage form of Tizanidine with the Company's proprietary Wrap Matrix™ Technology. It is designed such that the peak plasma levels are at much lower levels compared to the conventional 3 times dosing of Tizanidine. This is expected to reduce the dose limiting side effects of Tizanidine and to improve patient compliance. SPARC has completed Driving Simulation study of Tizanidine in EU and has established that Tizanidine ER causes less sedation compared to the available IR formulation.

(c) Nanotecton™ Technology

Nanotechnology based delivery systems (Nanotecton) enables targeted delivery of cytotoxic drugs to cancerous tissues. In this technology, drugs are encapsulated within nanoscale carriers derived from biocompatible and biodegradable polymers and lipids.

SPARC has developed Taclantis™ (PICN) using Nanotecton™ technology. This product is approved in India and successfully commercialized with the brand name Bevetex™. The Company has initiated pivotal BE study of Taclantis™ for its registration in the USA.

(d) Abuse Deterrent Formulations (ADF)

SPARC is working on a Novel Delivery Platform to help address the escalating problem of prescription drug abuse. It is estimated that every day in the United State 46 people die of prescription painkillers overdose.*

The Company has developed a platform technology to make a formulation which can deter oral multi-pill abuse. Presently there are no FDA approved opioid drugs in the US which can deter oral multi-pill abuse. The Company has filed patents for this technology. The Company has also filed IND for one program and completed initial Proof of Concept studies. This study has demonstrated viability of the technology.

(e) Novel Dry Powder Inhaler (DPI) device for Inhaled Drugs

SPARC's DPI is a pre-metered, 60 doses, breath activated device to administer an inhaled combination of Salmeterol and Fluticasone. This device offers uniform delivery of dose, independent of inspiratory flow rate. The device is small, convenient, easy-to-use and compliant with the global regulatory standards.

The Company is now executing pivotal studies. If the data from these studies are positive, the Company plans to submit NDA for obtaining the marketing authorization.

(f) Swollen Micelle Microemulsion (SMM) Technology

SMM is a quaternary ammonium preservative/surfactant (BAK)-free solubilizing technology. Contains known ocular lubricant which fortifies the lipid layer in formation of tear film and the uncharged coating is soft to eye surface.

Xelpros™ is a BAK (Benzalkonium Chloride , a preservative which has side effects on eye on long term use) -free Latanoprost eye drops developed with the Company's proprietary SMM technology.

SPARC's NDA for Xelpros™ is under review with USFDA. The approval is delayed because of the compliance issue of the Halol manufacturing facility of Sun Pharmaceutical Industries Ltd, from where it was manufactured and filed.

* CDC vitalsigns ™, July 2014

(g) **TearAct™ Technology**

SPARC is developing once-a-day formulation of Brimonidine using proprietary TearAct™ Technology. The technology involves Drug-resin complex suspension that provides a slow, consistent and sustained exposure. The fine resin particles act as a template on which the drug particle is adsorbed, Drug-resin clusters disintegrate into individual drug bound resin particles due to eye blink shear.

Brimonidine is one of the most commonly used second line drugs for Glaucoma. Brimonidine has to be administered thrice a day, leading to patient compliance issues. The Company is now doing Phase 2 clinical study of Brimonidine OD, results of which are expected by mid of FY18.

2. Benefits derived as a result of the above R&D

SPARC has been working on drug discovery and novel drug delivery technology based research programs which are complex and have longer duration of development with uncertain success outcome. SPARC's efforts target the international markets as well as markets like India, and this involves dealing with a number of regulatory agencies. Drug discovery programs upon commercialization are expected to provide patients with better treatment options and safer side effect profile.

The new drug delivery systems under development are platform technologies that can be developed for several different drugs. The eventual commercialization of such NDDS products would provide patients with newer dosage forms that are safer, more effective in terms of availability in the body, required in lesser dosage for the same action, or easier for the patient to take, or for the nursing staff to administer. For products such as ADF, the dosage form would be tougher to abuse.

3. Future plan of action

This is covered with the description of each product in (1) above. For more information, please refer to Management Discussion & Analysis (MD&A) section.

4. Expenditure on R&D

	Year ended 31st March, 2017 ₹ in Lakhs	Year ended 31st March, 2016 ₹ in Lakhs
Capital	777.67	1140.12
Revenue	30,485.83	22,447.56
Total R&D expenditure	31,263.5	23,587.68
Total R&D expenditure as % of Total Turnover	172.70	146.26

III) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Year ended 31st March, 2017 ₹ in Lakhs	Year ended 31st March, 2016 ₹ in Lakhs
Earnings	14,225.35	11,852.91
Outgo	16,344.93	12,428.62

Corporate Governance Report

In compliance with regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 "SEBI (LODR) Regulations", the Company submits the report for the year ended 31st March, 2017 on the matters mentioned in the said regulations and lists the practices followed by the Company.

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is guided by strong emphasis on transparency, accountability, responsibility, fairness, integrity, consistent value systems and delegation across all facets of its operations leading to sharply focused and operationally efficient growth. The Company's beliefs on Corporate Governance are intended at supporting the management of the Company for competent conduct of its business and ensuring long term value for shareholders, as well as customers, suppliers, employees and statutory authorities.

The Company is committed to implement the standards of good Corporate Governance and endeavors to preserve and nurture these core values in all its activities with an aim to increase and sustain its corporate value through growth and innovation.

2. Board of Directors

The Board of Directors of your Company ('hereinafter referred to as 'the Board' or the 'Board of Directors') as on 31st March, 2017 comprised of seven Directors as detailed below:

Composition and category of Directors as on 31st March, 2017:

Name of Director	Category	Inter-se relationship between Directors
Mr. Dilip S. Shanghvi (Chairman and Managing Director)	Promoter Executive Director	Brother-in-law of Mr. Sudhir V. Valia
Mr. Sudhir V. Valia (Director*)	Promoter Non-Executive Director*	Brother-in-law of Mr. Dilip S. Shanghvi
Dr. T. Rajamannar	Non Executive & Non Independent Director	-
Mr. S. Mohanchand Dadha	Non Executive Independent Director	-
Prof. Dr. Goverdhan Mehta	Non Executive Independent Director	-
Prof. Dr. Andrea Vasella	Non Executive Independent Director	-
Ms. Bhavna Doshi	Non Executive Independent Director	-

(*Also CFO upto 31st January, 2017)

Details of Equity Shares held by Non-Executive Directors as on 31st March, 2017:

Name of Director	No. of Shares
Mr. Sudhir V. Valia*	18,33,951
Dr. T. Rajamannar	35,657
Mr. S. Mohanchand Dadha	Nil
Prof. Dr. Goverdhan Mehta	Nil
Prof. Dr. Andrea Vasella	Nil
Ms. Bhavna Doshi	Nil

(*Also CFO upto 31st January, 2017)

Four Board meetings were held during the financial year. The dates on which the meetings were held during the financial year ended 31st March, 2017 are as follows:

(i) 6th May, 2016, (ii) 29th July, 2016, (iii) 28th October, 2016 and (iv) 27th January, 2017.

The Board of Directors of the Company were presented with all the information as set out in Part A of Schedule II read with regulation 17(7) of the SEBI (LODR) Regulations to the extent they were applicable and relevant. Such information were submitted either as a part of the agenda papers in advance of the respective meetings or by way of presentations and discussions during the meetings.

Attendance of each director at the Board meetings, last Annual General Meeting (AGM), and number of other Directorships and Memberships/Chairmanships of Committee is given below:

Name of the Director	Number of Board meetings held during respective tenure of Director	Attendance Particulars for the financial year ended 31st March, 2017		*No. of other directorships and committee memberships / chairmanships as of 31st March, 2017		
		Number of Board Meetings	Last AGM held on 29th July, 2016	Other Directorships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	4	4	Yes	1	1	-
Mr. Sudhir V. Valia	4	4	Yes	4	2	-
Dr. T. Rajamannar	4	4	Yes	-	-	-
Mr. S. Mohanchand Dadha	4	4	Yes	3	2	1
Prof. Dr. Goverdhan Mehta	4	4	Yes	1	-	-
Prof. Dr. Andrea Vasella	4	3	Yes	-	-	-
Ms. Bhavna Doshi	4	4	Yes	9	3	4

Note:

* Do not include directorships, committee memberships / chairmanships in Private, Foreign and Section 8 Companies.

**For Audit and Stakeholders' Relationship Committee only.

The details of familiarization programmes held for the Independent Directors are available on the website of the Company www.sparc.life and can be accessed through the web link - http://www.sunpharma.in/regulatory-compliance.htm

3. Code of Conduct

The Board of Directors of the Company has laid down the Code of Conduct for all board members and employees of the Company. In compliance with the requirements of regulation 17(5) of the SEBI (LODR) Regulations, the Code of Conduct, *inter alia*, incorporates the duties of Independent Directors as laid down in the Companies Act, 2013. All the directors and senior management employees have affirmed compliance with the Code of Conduct as approved and adopted by the Board of Directors and a declaration to this effect signed by the Chairman & Managing Director is annexed to the Corporate Governance Report. The Code of Conduct is available on the website of the Company www.sparc.life and may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm.

4. Audit Committee

The Audit Committee of the Company presently comprises of four Independent Non-Executive Directors viz. Ms. Bhavna Doshi, Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta and Prof. Dr. Andrea Vasella. Ms. Bhavna Doshi is the Chairperson of the Committee. Mr. Debashis Dey, Company Secretary is the secretary of the Audit Committee.

The Committee acts as a link between the management, external & internal auditors and the Board of Directors of the Company.

The terms of reference of the Audit Committee, *inter alia*, include the following:

a. To oversee the Company's financial reporting process
b. To review the adequacy of internal audit function
c. To review with the management the quarterly / half yearly / annual financial results / statements and auditor's report thereon before submission to the board for approval
d. To review with the management the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.)
e. To review and monitor the auditor's independence and performance, and effectiveness of audit process
f. To recommend the appointment / re-appointment of Statutory Auditors and Internal Auditors and fixation of audit fees. Approval of payment to statutory auditors of any other services rendered by the statutory auditors
g. To review the significant internal audit findings / related party transactions, reviewing the management discussion and analysis of financial condition and result of operations and also statutory compliance issues relating to financial statements
h. To evaluate internal financial controls and risk management system
i. To review the functioning of the Whistle Blower mechanism / Vigil mechanism
j. To scrutinize of inter-corporate loans and investments, if any
k. To review valuation of undertakings or assets of the Company, wherever it is necessary
l. To approve appointment of CFO, etc.

Executives from the finance department, representatives of the Statutory Auditors and Internal Auditors are also invited to attend the Audit Committee meetings.

The Committee has discussed with the Statutory and Internal Auditors about their audit methodology, audit planning and significant observations / suggestions.

Four Audit Committee Meetings were held during the year ended 31st March, 2017. The dates on which Meetings were held are as follows:

(i) 6th May, 2016, (ii) 29th July, 2016, (iii) 28th October, 2016 and (iv) 27th January, 2017.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/Member	No. of meetings held	No. of meetings attended
Ms. Bhavna Doshi	Chairperson	4	4
Mr. S. Mohanchand Dadha	Member	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	3

5. Nomination and Remuneration Committee

The Nomination and Remuneration Committee presently comprises of four Non-Executive and Independent Directors. Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta, Prof. Dr. Andrea Vasella and Ms. Bhavna Doshi. Mr. S. Mohanchand Dadha is the Chairman of the Committee. Mr. Debashis Dey, Company Secretary, is the secretary of the Committee.

The terms of reference of the Committee, *inter alia*, include the following:

a. To determine the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment

b. To review, recommend and/or approve remuneration to whole time directors

c. To review and recommend the Remuneration Policy of the Company

d. To approve grant of stock options to directors and employees

e. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board the appointment and removal and carry out evaluation of every director's performance

f. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board, policy relating to the remuneration for the directors, key managerial personnel and other employees

g. To formulate criteria for evaluation of performance of Independent Directors and the Board of Directors

h. To devise a policy on Board Diversity

Four meetings of the Committee were held during the year ended on 31st March, 2017 on the following dates:

(i) 6th May, 2016, (ii) 29th July, 2016, (iii) 28th October, 2016 and (iv) 27th January, 2017.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/ Member	No. of meetings held	No. of meetings attended
Mr. S. Mohanchand Dadha	Chairman	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	3
Ms. Bhavna Doshi	Member	4	4

The Nomination and Remuneration Committee, at its meeting held on 31st July, 2014, had approved and recommended the Remuneration Policy for the directors, key managerial personnel and other employees of the Company which has been approved by the Board of Directors at its meeting held on 31st July, 2014. The key highlights of the said Policy are as follows:

A. Guiding principles for remuneration: The Company shall remunerate all its personnel reasonably and sufficiently as per industry benchmarks and standards. The remuneration shall commensurate to retain and motivate the human resources of the Company. The compensation package will, *inter alia,* take into account the experience of the personnel, the knowledge & skills required including complexity of the job, work duration & risks associated with the work and attitude of the worker e.g. positive outlook, team spirit, loyalty etc.

B. Components of remuneration: The following will be the various remuneration components which may be paid to the personnel of the Company based on the designation and class of the personnel.

a. Fixed compensation: The fixed salaries of the Company's personnel shall be competitive and based on the individual personnel's responsibilities and performance.

b. Variable compensation: The personnel of the Company may be paid remuneration by way of variable salaries based on their performance evaluation. Such variable salaries should be based on the performance of the individual against his short & long term performance objectives and the performance of the Company.

c. Share based payments: The Board may, on the recommendation of the Nomination and Remuneration Committee, issue to certain class of personnel a share and share price related incentive program.

d. Non-monetary benefits: Senior management personnel of the Company, on a case to case basis, may be awarded customary non-monetary benefits such as discounted salary advance / credit facility, rent free accommodation, Company cars with or without chauffer's, reimbursement of electricity and telephone bills, etc.

e. Gratuity & group insurance: Personnel may also be awarded to group insurance and other key man insurance protection. Further, as required by the law, necessary gratuity shall be paid to the personnel.

f. Commission: The Directors may be paid commission, if approved by the shareholders. The shareholders may authorise the Board to declare commission to be paid to any Director of the Board.

C. Entitlement: The authority to Determine the entitlement to various components as aforesaid for each class and designation of personnel shall be as follows:

Designation / Class	To be determined by
Director	Members on recommendation of Nomination and Remuneration Committee and the Board of Directors.
Key Managerial Personnel	Board of Directors on recommendation of the Nomination and Remuneration Committee
Other Employees	Human Resources Head

Details of remuneration paid / payable to all the Directors for the year:

Mr. Dilip S. Shanghvi, Chairman & Managing Director and Mr. Sudhir V. Valia, Director, (also Chief Financial Officer upto 31st January, 2017), did not draw any remuneration from the Company.

The Non-Executive Directors were paid sitting fees of ₹ 30,000 for attending each meeting of the Board and/or of Committee thereof.

None of the Independent Directors has any pecuniary relationship with the Company other than the sitting fees received by them for attending the meeting of the Board and/or of Committee thereof.

The details of the remuneration paid/payable to the directors for the year 2016-17 are given below:

(₹ In Lakhs)

Name of the Director	Salary	Bonus	Perquisites / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	0.00	0.00	0.00	0.00	**0.00**
Mr. Sudhir V. Valia	0.00	0.00	0.00	0.00	**0.00**
Dr. T. Rajamannar	0.00	0.00	0.00	3.30	**3.30**
Mr. S. Mohanchand Dadha	0.00	0.00	0.00	4.20	**4.20**
Prof. Dr. Goverdhan Mehta	0.00	0.00	0.00	5.10	**5.10**
Prof. Dr. Andrea Vasella	0.00	0.00	0.00	3.60	**3.60**
Ms. Bhavna Doshi	0.00	0.00	0.00	5.40	**5.40**

Notes:

a) The Agreement with Mr. Dilip S. Shanghvi, Chairman & Managing Director, is for a period of 5 years. Mr. Dilip S. Shanghvi has been re-appointed as the Chairman & Managing Director of the Company for a further period of five years effective from 1st March, 2017. Either party is entitled to terminate the Agreement by giving 30 days notice in writing to the other party.

b) Mr. Sudhir V. Valia resigned from his position of Chief Financial Officer of the Company, at the end of working hours on 31st January, 2017.

c) The Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.

d) There is no separate provision for payment of severance fees to Whole Time Director(s).

6. Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee comprises of Dr. T. Rajamannar, Prof. Dr. Goverdhan Mehta, Prof. Dr. Andrea Vasella and Mr. Sudhir V. Valia. Dr. T. Rajamannar is the Chairman of the Committee. Mr. Debashis Dey, Company Secretary, is the secretary of the Committee.

The terms of reference of the Committee, *inter alia*, include the following:

a. To look into redressal of grievances of shareholders and other security holders of the Company, if any

b. To consider and resolve grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of Notice/Annual Report, non-receipt of declared dividends, etc.

c. To approve issue of duplicate share certificates and to oversee and review all matters connected with the transfer, transmission and issue of securities

d. To oversee the performance of the Registrar and Transfer Agents and recommend measures for overall improvement in the quality of investor services

e. To investigate any activity within its terms of reference

f. To seek information from share transfer agents

g. To obtain outside legal or other professional advice

h. To secure attendance of outsiders with relevant expertise, if it considers necessary and have full access to the information contained in the records of the Company

Four meetings of the Committee were held during the financial year ended 31st March, 2017. The dates on which meetings were held are as follows:

(i) 6th May, 2016, (ii) 29th July, 2016, (iii) 28th October, 2016 and (iv) 27th January, 2017.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/ Member	No. of meetings held	No. of Meetings attended
Dr. T. Rajamannar	Chairman	4	4
Mr. Sudhir V. Valia	Member	4	4
Prof. Dr. Goverdhan Mehta	Member	4	4
Prof. Dr. Andrea Vasella	Member	4	3

Mr. Debashis Dey, Company Secretary, is the Compliance Officer of the Company.

Shareholders' Complaints:

The number of shareholders complaints received and resolved during the year under review, are as follows:

Pending at the beginning of the year.	-
Received during the year	6
Resolved during the year	6
Pending at the end of the year.	-

7. Corporate Social Responsibility Committee

In compliance with the requirements of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of the Company, at its meeting held on 3rd May, 2014 constituted a Corporate Social Responsibility Committee. The Committee consists of Mr. Sudhir V. Valia, Mr. Dilip S. Shanghvi, Mr. S. Mohanchand Dadha and Ms. Bhavna Doshi. Mr. Sudhir V. Valia is the Chairman of the Committee.

Mr. Debashis Dey, Company Secretary, acts as the secretary of the Committee.

The terms of reference of the Corporate Social Responsibility Committee, *inter alia*, include the following:

a. To formulate and recommend to the Board, a Corporate Social Responsibility Policy (CSR Policy) which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013
b. To monitor the CSR Policy of the Company from time to time
c. To recommend the amount of expenditure to be incurred on the activities referred above
d. To monitor amount spent on the CSR initiatives of the Company as per the CSR Policy

One meeting of the Committee was held on 6th May, 2017 during the financial year 2016-17.

As recommended by the Committee, the Board of Directors of the Company had at its meeting held on 30th January, 2015 approved the CSR Policy of the Company. During the previous financial year, there was no change in the CSR Policy. A summary of the CSR Policy of the Company may be accessed through the web link http://www.sunpharma.in/regulatory-compliance.htm.

8. Rights Issue Committee

The Board of Directors of the Company had, in its meeting held on 1st August 2015, constituted a Rights Issue Committee to oversee the proposed Rights Issue and take all decisions as may be required in respect of the same. The Committee consisted of Mr. Dilip S. Shanghvi, Mr. Sudhir V. Valia, Dr. T. Rajamannar and Ms. Bhavna Doshi with Mr. Dilip S. Shanghvi as the Chairman of the Committee. Mr. Debashis Dey, Company Secretary acted as the secretary of the Committee.

Three meetings of the Committee were held on 11th April, 2016, 27th April, 2016 and 29th July, 2016 during the financial year 2016-17.

Consequent to the successful conclusion of the Rights Issue by the Company during the previous financial year, the Board of Directors in their meeting held on 28th October, 2016, has dissolved the Committee.

9. Fund Management Committee

The Board of Directors of the Company, in its meeting held on 28th October, 2016 constituted a Fund Management Committee to oversee the deployment of funds raised by the Company through new issues/ loans & internal accrual in various research projects & to meet general corporate expenditures of the Company. The Committee consists of Mr. Dilip S. Shanghvi, Mr. Sudhir V. Valia and Ms. Bhavna Doshi.

Mr. Sudhir V. Valia is the Chairman of the Committee. Mr. Debashis Dey, Company Secretary, is the secretary of the Committee.

One meeting of the Committee was held on 27th January, 2017 during the financial year ended 31st March, 2017.

10. Subsidiary Companies

The Company does not have any subsidiary company.

11. General Body Meetings

(i) Location date and time, where last three Annual General Meetings (AGM) were held, are as follows:

Year	Meeting	Location	Date	Time	Special Resolutions passed at the AGM
2013-14	Ninth AGM	Sir Sayajirao Nagargruh, Akota, Vadodara-390 020 Gujarat	31.07.2014	11.15 am	1) Consent given to the Board of Directors of the Company including any committee thereof under section 180(1)(a) of the Companies Act, 2013 for creation of charges, mortgages and hypothecations in respect of any Loans, for which the charge is to be created, provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said loans, shall not exceed the limit of ₹ 250 Crores (Rupees Two Hundred and Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.
					2) Consent given to the Board of Directors of the Company including any committee thereof under section 180(1)(c) of the Companies Act, 2013 for borrowing any sum or sums of monies which together with the monies already borrowed by the Company may exceed the aggregate of the paid up share capital of the Company and its free reserves (that is to say reserve not set apart for any specific purpose) provided that the total amount so borrowed by the Board shall not at any time exceed ₹ 250 crores (Rupees Two Hundred and Fifty Crores only) or the aggregate of the paid up capital and free reserves of the Company, whichever is higher.
					3) Approval under Section 186 of the Companies Act, 2013 authorising the Board of Directors of the Company to make loan(s) and/or give guarantee(s)/provide any security(ies) in connection with loans made to and to make investments in shares ,debentures and/or any other securities of other body corporates whether in India or outside India, or in various schemes of mutual funds exceeding the limits specified in Section 186 of the Companies Act 2013, upto a maximum of ₹ 250 Crores (Rupees Two Hundred and Fifty Crores).

Year	Meeting	Location	Date	Time	Special Resolutions passed at the AGM
2014-15	Tenth AGM	Sir Sayajirao Nagargruh, Akota, Vadodara-390 020 Gujarat	01.08.2015	11.15 am	1) Ratification and approval of the appointment of Mr. Sudhir V. Valia as the Chief Financial Officer & consequentially a Whole-time Director of the Company w.e.f: 31st July 2014 to 31st December 2015.
					2) Approval/ratification of the shareholders for entering into further transactions with Sun Pharma Global FZE., a 'Related Party', pursuant to the Technology Development Agreement dated 18th February, 2013, for undertaking development program in respect of Liposomal Doxorubicin Drug Delivery Technology.
					3) Approval/ratification of the shareholders for entering into further transactions with Sun Pharmaceutical Industries Limited., a 'Related Party', pursuant to the Master Support Service Agreement dated 15th February, 2014.
					4) Approval/ratification of the shareholders for entering into further transactions with Sun Pharma Global FZE., a 'Related Party', pursuant to the Master License Agreement dated 20th January, 2014.
					5) Approval/ratification of the shareholders for entering into further transactions with Sun Pharma Laboratories Limited, a 'Related Party', pursuant to the Master License Agreement dated 15th January, 2014.
					6) Approval/ratification of the shareholders for entering into further transactions with Sun Pharmaceutical Industries Limited., a 'Related Party', pursuant to the Master License Agreement dated 20th January, 2014.
2015-16	Eleventh AGM	Sir Sayajirao Nagargruh, Akota, Vadodara-390 020 Gujarat	29.07.2016	11.15 am	1) Re-appointment of Prof. Dr. Andrea Vasella as an Independent Director of the Company, for another term of 1 year, to hold office upto the conclusion of the 12th Annual General Meeting of the Company.
					2) Re-appointment of Prof. Dr. Goverdhan Mehta as an Independent Director of the Company, for another term of 1 year, to hold office upto the conclusion of the 12th Annual General Meeting of the Company.
					3) Re-appointment of Mr. S Mohanchand Dadha as an Independent Director of the Company, for another term of 1 year, to hold office upto the conclusion of the 12th Annual General Meeting of the Company.

(ii) Postal Ballot - Details of Special Resolutions passed through Postal Ballot during FY 2016-17

During the previous financial year, one special resolution was passed by the Company through Postal Ballot for alteration in the objects for utilisation of funds out of the net proceeds of the Rights Issue of equity shares of the Company and change in the Objects of Issue as stated in the Letter of Offer dated 14th March, 2016. The outcome of the Postal Ballot was as follows:

Category	No. of Shares held	No. of Votes polled	No. of Votes - in Favour	No. of Votes - Against	% of Votes in Favour on Votes polled	% of Votes Against on Votes polled
Promoter and Promoter Group	16,71,83,422	16,38,15,782	16,38,15,782	-	100.0000	0.0000
Public - Institutions	2,20,40,248	2,00,27,716	2,00,27,716	-	100.0000	0.0000
Public - Non Institutions	5,76,72,116	1,68,40,753	1,68,39,648	1,105	99.9934	0.0066
Total	**24,68,95,786**	**20,06,84,251**	**20,06,83,146**	**1,105**	**99.9995**	**0.0005**

Mr. Chintan Goswami, Proprietor C. J. Goswami & Associates, was appointed as the Scrutiniser for the above Postal Ballot Process.

The Notice and Explanatory Statement along with Postal Ballot form were circulated to all the members, in electronic form whose email ids are registered with the Company and to all other members in physical form through registered post/ courier along with self addressed, postage pre-paid envelop, to enable them to consider and vote for or against the proposal within a period of 30 days from the date of completion of dispatch of Notice. E-voting facility was also offered to all the members to enable them to cast their vote electronically.

After last date of receipt of Postal Ballot/ e-voting, the scrutinizer, after due verification, submitted his report to the Chairman of the Company. Thereafter, the result of the Postal Ballot was declared by the Company and was deemed to have been passed by the members on 20th September, 2016.

At present, the Company does not have any proposal to pass any special resolution through Postal Ballot.

12. Disclosures

- No transaction of a material nature has been entered into by the Company with the related parties that may have a potential conflict with the interests of the Company at large. The Register of Contracts containing details of contracts, in which directors are interested, is placed before the Board of Directors regularly. The transactions with the related parties are disclosed in the Financial Statements.

- There were no instances of non-compliance by the Company on any matters related to the capital markets or penalties/ strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority during the last three financial years.

- The Company has laid down procedures to inform Board members about the risk assessment and its minimization, which is periodically reviewed to ensure that risk control is exercised by the management effectively.

- The Board of Directors of the Company at its meeting held on 3rd May, 2014 has approved a Whistle Blower Policy and put in place a mechanism to monitor the actions taken on complaints received under the said policy. This Policy also outlines the reporting procedure and investigation mechanism to be followed in case an employee blows the

whistle for any wrong-doing in the Company. Employees are given protection in two important areas - confidentiality and against retaliation. It is ensured that employees can raise concerns regarding any violation or potential violation easily and free of any fear of retaliation, provided they have raised the concern in good faith. An Ombudsperson has been appointed to receive the complaints through portal, email or letters who would investigate the complaints. The final decision would be taken by the Ombudsperson in consultation with the management and the Audit Committee. The Policy is expected to help to draw the Company's attention to unethical, inappropriate or incompetent conduct which has or may have detrimental effects either for the organisation or for those affected by its functions. A copy of the Company's Whistle Blower Policy is available on the website of the Company www.sparc.life and may be accessed at www.sunpharma.in/ regulatory-compliance.htm. No personnel has been denied access to the Audit Committee.

- Details of compliance with mandatory requirements and adoption / non-adoption of the Non- mandatory requirements:

  (i) The Company complies with all the mandatory requirements specified under the SEBI (LODR) Regulations.

  (ii) The Company does not send half-yearly financial results including summary of the significant events in the last six months, to the household of each shareholder as the financial results are published in the newspapers and also posted on the website of the Company and the websites of BSE and NSE.

  (iii) The Financial Statements of the Company have not been qualified by the Auditors.

  (iv) The Company does not have separate position for Chairman and Managing Director.

  (v) The Company has appointed M/s. K C Mehta & Associates as the Internal Auditors of the Company. The Internal Auditors report their findings to the Audit Committee of the Company.

- The Company does not have any Policy on material subsidiaries since it does not have any subsidiary.

- The Policy of the Company on dealing with Related Party Transactions is available on the website of the Company and can be accessed through the web link: http://www.sunpharma.in/regulatory-compliance.htm

13. Means of Communication

- **Website:** The Company's website www.sparc.life contains a separate dedicated section 'Investors' where shareholders information is available. Full Annual Report is available on the website in a user friendly and downloadable form. Apart from this, official news releases and media presentations to analysts are displayed on the Company's website.

- **Corporate Filing:** Announcements, Quarterly Results, Shareholding Pattern etc. are regularly filed by the Company with the Stock Exchanges and are available on the websites of BSE Ltd. - www.bseindia.com & NSE. - www.nseindia.com.

- **Financial Results:** The quarterly, half-yearly and annual Financial Results are posted by the Company on its website. These are also submitted to the stock exchanges in accordance with the SEBI (LODR) Regulations and published in all English Editions and in Gujarati (Gujarat Edition) of Financial Express.

- **Annual Report:** Annual Report containing *inter alia* audited Financial Statements, Board's Report, Auditors' Report, and other important information is circulated to Members and others entitled thereto. The Management Discussion & Analysis (MD&A) and Business Responsibility Report (BRR) form part of the Report.

14. General Shareholder Information:

14.1 Annual General Meeting		
(a) Date and Time	:	Saturday, 5th August, 2017, at 11:00 am.
(b) Venue	:	Sir Sayajirao Nagargruh, Akota, Vadodara - 390 020, Gujarat.
14.2 Financial Calendar (tentative)		
	:	Results for quarter ending 30th June, 2017 – First week of August, 2017.
	:	Results for quarter ending 30th September, 2017 – Last week of October, 2017 / first week of November, 2017.
	:	Results for quarter ending 31st December, 2017 – Last week of January, 2018 / first week of February, 2018.
	:	Audited Results for year ended 31st March, 2018 – First or second week of May, 2018.
14.3 Details of Book Closure For Equity Shareholders	:	Saturday, 29th July, 2017 to Saturday 5th August, 2017 (both days inclusive).
14.4 Dividend Payment Date	:	N.A.
14.5 (a) Listing of Equity Shares	:	The Equity Shares of the Company are listed on BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).
(b) Payment of Listing Fee	:	Listing Fees for the financial year 2017-18 have been paid, within the stipulated time, to BSE and NSE, where the Company's Equity Shares continue to be listed.
14.6 Stock Code:		
Equity Shares of ₹ 1 each		
(a) Trading Symbol in BSE	:	**532872**
(b) Trading Symbol in NSE	:	**SPARC**
(c) ISIN Number in NSDL and CDSL	:	**INE232I01014**

14.7 Market Price Data

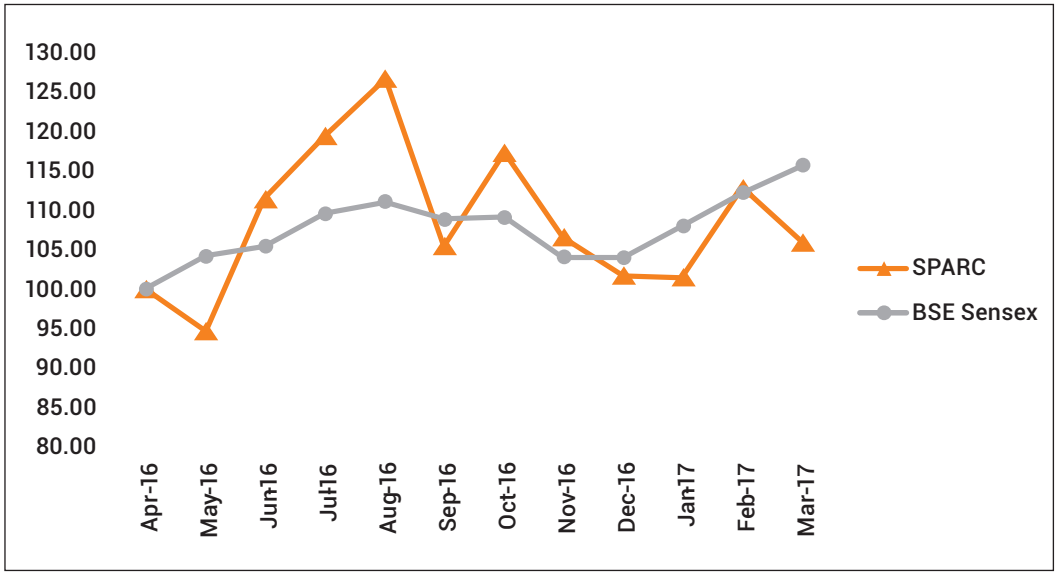
The market price data of the Equity Shares of the Company on BSE and NSE for the financial year 2016-17 are as follows:

Month	BSE (in ₹)		NSE (in ₹)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2016	314.05	279.00	313.75	277.75
May 2016	304.00	281.50	304.40	280.10
June 2016	357.00	270.10	357.00	270.00
July 2016	382.30	332.95	382.40	333.00
August 2016	414.80	353.00	414.90	352.50
September 2016	386.00	303.15	386.40	303.00
October 2016	368.00	310.55	368.60	309.80
November 2016	357.00	275.50	357.40	273.95
December 2016	342.50	295.50	343.00	295.00
January 2017	336.05	302.25	336.90	302.00
February 2017	341.75	296.00	339.90	297.45
March 2017	353.40	316.00	353.65	315.05

(Source: BSE and NSE websites)

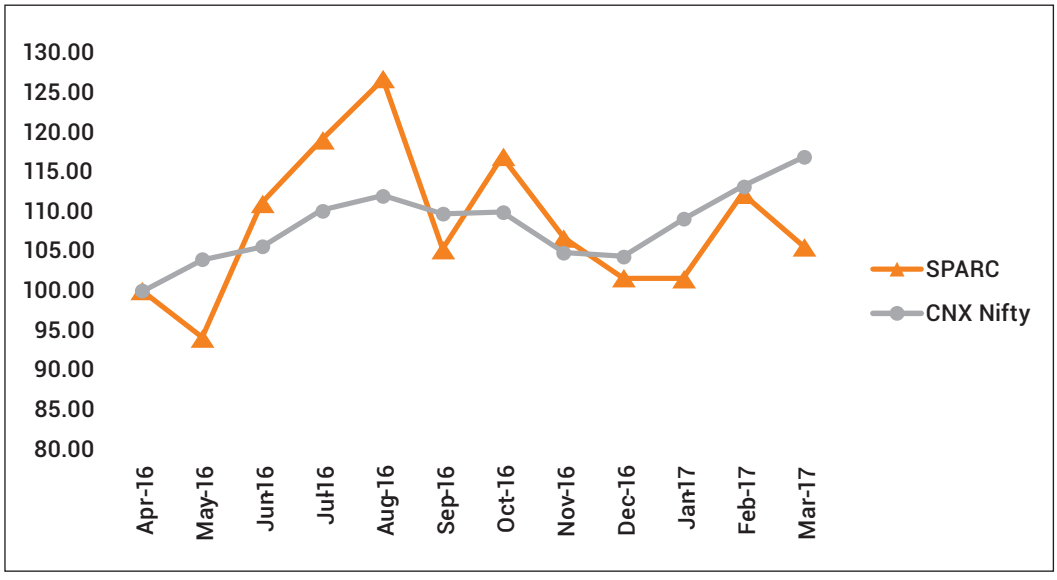
14.8 Share Price Performance in Comparison to Broad-Based Indices – BSE Sensex and CNX Nifty:

(a) Company's Share Price Performance Versus BSE Sensex



(Source: BSE website)

(b) Company's Share Price Performance versus CNX Nifty



(Source: NSE website)

14.9 Registrar & Transfer Agent

(To handle share transfer and communications regarding share certificate, dividend, change of address, etc.)

Link Intime India Pvt. Ltd.,
C 101, 247 Park,
L B S Marg, Vikhroli West,
Mumbai 400 083
E-Mail: sparc@linkintime.co.in, rnt.helpdesk@linkintime.co.in
Tel: +91 22 49186000, Fax: +91 22 49186060

14.10 Share Transfer System

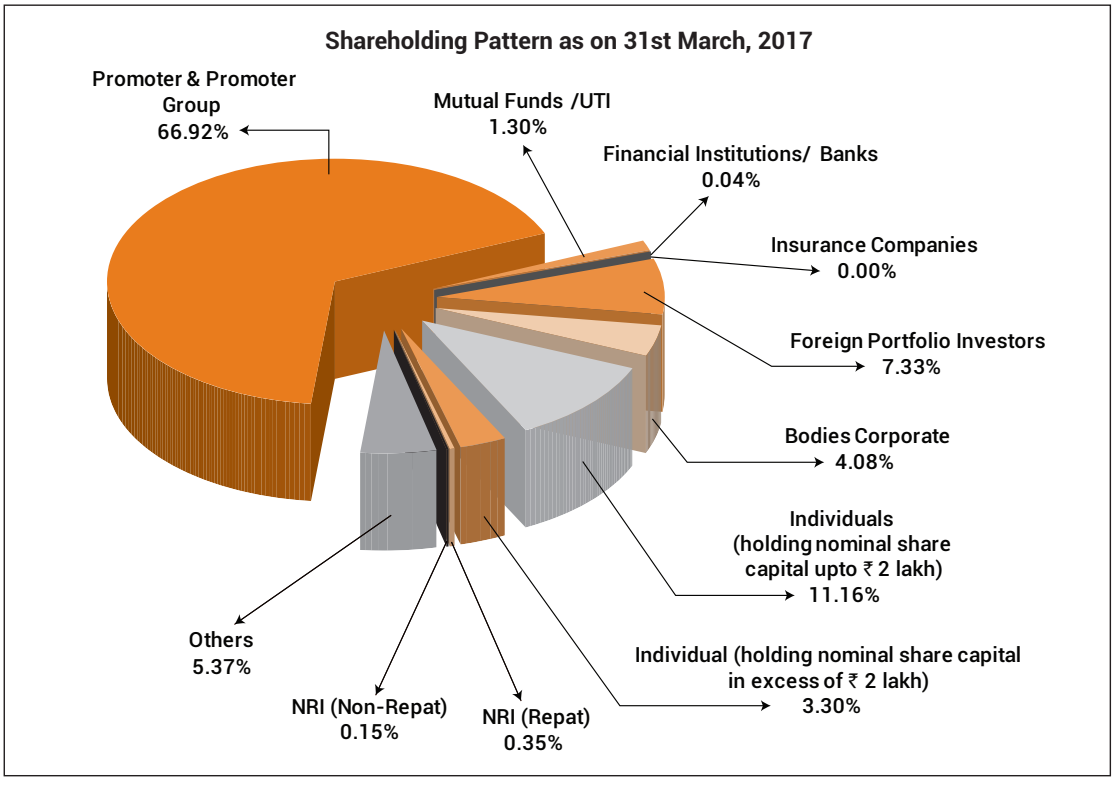
The share transfer application received in physical form are processed by Registrar & Transfer Agents within 21 days from the date of receipt, subject to documents being valid and complete in all respects. Confirmation in respect of the request for dematerialization of shares are sent expeditiously to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

14.11 Distribution of Shareholding as on 31st March, 2017

Equity Shares held	No. of Accounts	% to Total	No. of Shares	% to Total
Upto 500	75,797	87.62	76,11,080	3.08
501 - 1000	4,662	5.39	34,22,202	1.38
1001 - 2000	3,745	4.33	50,77,374	2.06
2001 - 3000	808	0.93	19,95,856	0.81
3001 - 4000	340	0.39	11,87,948	0.49
4001 - 5000	221	0.26	10,26,174	0.41
5001 - 10000	457	0.53	32,56,607	1.32
10001 and above	473	0.55	22,33,18,736	90.45
Total	**86,503**	**100.00**	**24,68,95,977**	**100.00**

14.12 Shareholding Pattern as on 31st March, 2017

Particulars	No. of Shares	% of Total
Promoters & Promoter Group	16,52,55,715	66.93
Mutual Funds /UTI	32,09,348	1.30
Financial Institutions/ Banks	1,10,070	0.04
Insurance Companies	0.00	0.00
Foreign Portfolio Investors	1,80,92,377	7.33
Bodies Corporate	1,00,69,186	4.08
Individuals (holding nominal share capital upto ₹ 2 lakhs)	2,75,43,960	11.16
Individuals (holding nominal share capital in excess of ₹ 2 lakhs)	81,40,026	3.30
NRI (Repatriable)	8,52,165	0.35
NRI (Non-Repatriable)	3,63,505	0.15
Others	1,32,59,625	5.36
Total	**24,68,95,977**	**100.00**



14.13 Dematerialization of Shares

Out of the total share capital of 24,68,95,977 equity shares, 24,57,30,933 equity shares of the Company representing about 99.53% of the total equity shares of the Company are held in dematerialized mode as on 31st March, 2017.

Liquidity:

The equity shares of the Company are fairly liquid and are actively traded on BSE and NSE. Relevant data for the **average daily turnover** for the financial year 2016-17 is given below:

	NSE	BSE	Total
No. of Shares (in Thousands)	292.52	81.53	374.05
Value of Shares (₹ Lakhs)	983.42	273.54	1,256.96

(Source: BSE and NSE websites)

14.14 Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion Date and Likely Impact on Equity

The Company has not issued GDRs/ ADRs / warrants or any other convertible instruments.

14.15 Commodity Price Risk/ Foreign Exchange Risk and Hedging Activities

The Company being in the business of Research & Development, does not face any significant Commodity Price Risk. During the previous financial year, the Company had managed the foreign exchange risk to the extent considered adequate. During the previous financial year, the Company had not entered into any forward foreign currency contracts. The details of foreign currency exposure, that have not been hedged by a derivative instrument or otherwise, are disclosed in the Financial Statements, which form part of this Report.

14.16 R&D Locations

1. F.P. 27 Part Survey No. 27, C.S. No. 1050, T.P.S. No.24, Tandalja, Vadodra - 390020.
2. 17/B, Mahal Industrial Estate, Off Mahakali Caves Road, Andheri (East), Mumbai - 400 093.
3. 907/4, GIDC, Makarpura, Vadodara - 390 010, Gujarat.

14.17 Investor Correspondence

(a) For transfer, dematerialisation or any other query relating to the shares

For query related to the Shares held in Physical Form

Link Intime Pvt. Ltd.
C 101, 247 Park,
L B S Marg, Vikhroli West,
Mumbai 400 083
E-Mail: sparc@linkintime.co.in, rnt.helpdesk@linkintime.co.in
Tel: +91 22 49186000, Fax: +91 22 49186060

For Shares held in Dematerialized Form Please contact your Depository Participant.

(b) For query on Annual Report

Mr. Narendra Lakkad
17/B, Mahal Industrial Estate,
Off Mahakali Caves Road, Andheri (East),
Mumbai - 400 093.
E-Mail: narendra.lakkad@sparcmail.com

(c) For any other query or grievances

Mr. Debashis Dey
17/B, Mahal Industrial Estate,
Off Mahakali Caves Road, Andheri (East),
Mumbai - 400 093.
E-Mail: debashis.dey@sparcmail.com, secretarial@sparcmail.com

For and on behalf of the Board

Dilip S. Shanghvi
Chairman & Managing Director

Mumbai, 5th May, 2017

Annexure to Corporate Governance

DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT

I, Dilip S. Shanghvi, Chairman & Managing Director of Sun Pharma Advanced Research Company Limited ("the Company"), hereby declare that to the best of my information, all the Board Members and senior management personnel of the Company have affirmed their compliances and have undertaken to continue to comply with the Code of Conduct laid down by the Board of Directors of the Company.

For **Sun Pharma Advanced Research Company Ltd.**

Dilip S. Shanghvi
Chairman & Managing Director

Mumbai, 5th May, 2017

Independent Auditor's Certificate on Corporate Governance

TO THE MEMBERS OF
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

1. This certificate is issued in accordance with the terms of our engagement letter dated August 22, 2016.

2. We, Deloitte Haskins & Sells LLP, Chartered Accountants, the Statutory Auditors of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on 31 March 2017, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

Managements' Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended March 31, 2017.

9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

Mumbai, 5th May, 2017

Independent Auditor's Report

TO THE MEMBERS OF
SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements 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, of the state of affairs of the Company as at 31st March, 2017, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable that:

    a) We have sought and 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 and the reports of the other auditors.

    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 relevant books of account.

d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 24(i)(b) and (c) to the financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management. Refer Note 27 to the financial statements.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rajesh K. Hiranandani
Partner
Membership No. 36920

Mumbai, 5th May, 2017

Annexure "A" to the Independent Auditor's Report

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

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **SUN PHARMA ADVANCED RESEARCH COMPANY LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("the ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility

of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

Place: Mumbai
Date: 5th May, 2017

Annexure "B" to the Independent Auditor's Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us in respect of title deeds of immovable property based on the examination of the High Court Order for Demerger dated 28th March, 2007, provided to us, we report the following:

Particulars of building	Gross Block (as at 31st March, 2017) ₹ in Lakhs	Net Block (as at 31st March, 2017) ₹ in Lakhs	Remarks
R&D buildings located at Tandalja, Vadodara (Gujrat) admeasuring 14615.50m2	1,838.21	1,504.77	The buildings were transferred (pending registration) to the Company pursuant to a scheme of arrangement in the nature of demerger and transfer of Innovative Research and Development business of Sun Pharmaceutical Industries Limited under Section 391 to 394 of the Companies Act, 1956 in terms of the approval of the Honourable High Court of Gujarat. The agreements are in the name of Sun Pharmaceutical Industries Limited.
R&D building located at Mahakali Caves Road, Andheri, Mumbai admeasuring 1041.29m2	285.99	224.08	

(ii) According to the information and explanation given to us and having regard to the nature of the Company's business, the Company does not have any inventories during the year since, procurements are issued directly for consumption to the user department and therefore, the question of reporting on whether; physical verification has been carried out at reasonable intervals and discrepancies noticed on physical verification were material, does not arise.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act").

(iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3(iv) of the Companies (Auditor's Report) Order, 2016 ("the CARO 2016") is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit and the provisions of sections 73 to 76 of the Act are not applicable and hence reporting under clause 3(v) of the CARO 2016 is also not applicable.

(vi) In respect of maintenance of Cost records under section 148(1) of the Act, having regard to the nature of the Company's business / activities, reporting under clause 3(vi) of the CARO 2016 is not applicable.

(vii) 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, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. Having regard to the nature of the Company's business / activities, statutory dues in respect of Excise duty are not applicable to the Company.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax,cess and other material statutory dues in arrears as at 31st March, 2017 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax which have not been deposited as on 31st March, 2017 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum Where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in Lakhs)	Amount Paid under protest (₹ in Lakhs)	Amount Unpaid (₹ in Lakhs)
The Income Tax Act, 1961	Income Tax and Interest	Commissioner of Income Tax (Appeals)	Assessment Year 2011-12	1,812.00	1,812.00	-
The Income Tax Act, 1961	Income Tax and Interest	Commissioner of Income Tax (Appeals)	Assessment Year 2013-14	3,287.06	650.00	2,637.06

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans to banks and government. The Company has not taken any borrowings from financial institutions and has not issued any debentures.

(ix) In our opinion and according to the information and explanations given to us, the Company has utilised the term loans for the purposes for which they were obtained. The Company has not raised moneys by way of initial public offer/ further public offer (including debt instruments).

(x) 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 by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us, the Company has not paid managerial remuneration and the provisions of section 197 read with Schedule V to the Act are not applicable and hence reporting under clause 3(xi) of the CARO 2016 is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the CARO 2016 is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with sections 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence reporting under clause 3(xvi) of the CARO 2016 is not applicable.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018

Rajesh K. Hiranandani
Partner
(Membership No. 36920)

Place : Mumbai
Date : 5th May, 2017

Balance Sheet

as at 31st March, 2017

(₹ in Lakhs)

	Note	As at 31st March, 2017		As at 31st March, 2016	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	1	2,469.04		2,366.97	
Reserves and Surplus	2	13,495.74	15,964.78	623.30	2,990.27
Share Application Money Pending Allotment			-		189.97
Non-current Liabilities					
Long-term Borrowings	3	218.09		272.61	
Deferred Tax Liabilities (Net)	4	-		-	
Long-term Provisions	5	418.19	636.28	329.60	602.21
Current Liabilities					
Short-term Borrowings	6	41.10		5,247.62	
Trade Payables					
(a) total outstanding dues of Micro Enterprises and Small Enterprises (Refer Note 32)		-		-	
(b) total outstanding dues of creditors other than Micro Enterprises and Small Enterprises		9,445.29		5,815.11	
Other Current Liabilities	7	981.34		1,208.55	
Short-term Provisions	8	334.94	10,802.67	212.28	12,483.56
TOTAL			27,403.73		16,266.01
ASSETS					
Non-current Assets					
Fixed Assets					
Tangible Assets	9	6,915.87		6,995.64	
Capital Work-in-Progress		146.68		87.30	
		7,062.55		7,082.94	
Long-term Loans and Advances	10	4,361.68		2,403.65	
Other Non-current Assets	11	121.47	11,545.70	120.32	9,606.91
Current Assets					
Current Investments	12	955.39		-	
Trade Receivables	13	3,890.02		915.96	
Cash and Cash Equivalents	14	7,030.63		1,274.85	
Short-term Loans and Advances	15	3,883.47		4,409.10	
Other Current Assets	16	98.52	15,858.03	59.19	6,659.10
TOTAL			27,403.73		16,266.01
See accompanying notes forming part of the Financial Statements	1-40				

In terms of our report attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2017

For and on behalf of the Board
DILIP S. SHANGHVI
Chairman & Managing Director

CHETAN M. RAJPARA
Chief Financial Officer

DEBASHIS DEY
Company Secretary

SUDHIR V. VALIA
Director

Mumbai, 5th May, 2017

Statement of Profit And Loss

for the year ended 31st March, 2017

(₹ in Lakhs)

	Note	Year ended 31st March, 2017	Year ended 31st March, 2016
Revenue from Operations	17	18,102.48	16,128.24
Other Income	18	1,362.57	293.67
Total Revenue		19,465.05	16,421.91
Expenses			
Cost of Materials Consumed	19	2,518.35	1,886.81
Employee Benefits Expense	20	8,443.19	5,660.32
Clinical Trials and Professional Charges		14,585.56	11,954.50
Finance Costs	21	181.98	215.69
Depreciation Expense	9	823.97	757.86
Other Expenses	22	4,938.73	2,945.93
Total Expenses		31,491.78	23,421.11
Loss Before Tax		12,026.73	6,999.20
Tax Expense - Current Tax		-	-
Loss for the Year		12,026.73	6,999.20
Earnings per Share	34		
Basic and Diluted (₹)		(4.87)	(2.96)
Face Value per Equity Share - ₹ 1			
See accompanying notes forming part of the Financial Statements	1-40		

In terms of our report attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2017

CHETAN M. RAJPARA
Chief Financial Officer

DEBASHIS DEY
Company Secretary

For and on behalf of the Board
DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director
Mumbai, 5th May, 2017

Cash Flow Statement

for the year ended 31st March, 2017

(₹ in Lakhs)

		Year ended 31st March, 2017		Year ended 31st March, 2016	
A.	**Cash Flow From Operating Activities:**				
	Loss before Tax		12,026.73		6,999.20
	Adjustments for :				
	Depreciation Expense	(823.97)		(757.86)	
	Loss on Fixed Assets Sold / Discarded	(16.57)		(13.64)	
	Finance Costs	(181.98)		(215.69)	
	Interest Income	1,164.72		73.16	
	Gain on Sale of Current Investments	15.32		5.28	
	Amortisation of Share Issue Expenses	(67.51)		(27.86)	
	Unrealised Foreign Exchange Gain (Net)	(52.79)		11.91	
			37.22		(924.70)
	Operating Loss Before Working Capital Changes		12,063.95		6,074.50
	Changes in Working Capital:				
	Adjustment for Increase / (Decrease) in Operating Assets:				
	- Long-term Loans and Advances	(53.06)		(311.09)	
	- Trade Receivables	2,956.67		(1,075.77)	
	- Short-term Loans and Advances	(525.63)		1,866.58	
	- Other Current Assets	-		-	
	Adjustment for (Increase) / Decrease in Operating Liabilities:				
	- Long-term Provisions	(88.59)		(92.27)	
	- Trade Payables	(3,568.57)		(3,110.65)	
	- Other Current Liabilities	69.42		(181.75)	
	- Short-term Provisions	(122.66)		(135.63)	
			(1,332.42)		(3,040.58)
	Net Cash used in Operations		10,731.53		3,033.92
	Net Income Tax paid		2,072.25		1,387.24
	Net Cash Flow used in Operating Activities (A)		12,803.78		4,421.16
B.	**Cash Flow From Investing Activities :**				
	Capital Expenditure on Fixed Assets including Capital Advances	857.96		1,232.83	
	Proceeds from Sale of Fixed Assets	(16.44)		(52.09)	
	Bank Balances not considered as Cash and Cash Equivalents				
	- Margin Money Deposits placed	656.26		667.88	
	- Margin Money Deposits matured	(669.02)		(653.93)	
	- In Escrow Account (Share Application Money Pending Allotment)	(189.97)		189.97	
	Current Investments not considered as Cash and Cash Equivalents				
	- Purchased	3,695.00		1,680.00	
	- Proceeds from sale	(2,754.93)		(1,685.28)	
	Interest Received on Bank Deposits and Others	(1,107.57)		(71.44)	
	Net Cash Flow used in Investing Activities (B)		471.29		1,307.94

(₹ in Lakhs)

		Year ended 31st March, 2017		Year ended 31st March, 2016	
C.	**Cash Flow From Financing Activities:**				
	Repayment of Long-term Borrowings	54.52		54.52	
	Net Decrease / (Increase) in Working Capital Borrowings from a Bank	306.52		(308.07)	
	Proceeds from Short-term Borrowings	-		(4,900.00)	
	Repayment of Short-term Borrowings	4,900.00		-	
	Advances against Share Application Money for Proposed Rights Issue				
	Expenses towards Rights Issue	50.22		148.04	
	Proceeds from Calls received on Issue of Equity Shares on Rights basis and annulment	(24,811.26)		(9.65)	
	Proceeds from Share Application Money Pending Allotment	-		(189.97)	
	Finance Costs	264.91		150.40	
	Net Cash Flow (from) Financing Activities (C)		(19,235.09)		(5,054.73)
	Net (Increase) / Decrease in Cash and Cash Equivalents (A+B+C)		(5,960.02)		674.37
	Cash and Cash equivalents at the beginning of the year		400.01		1,063.42
	Effect of Exchange Differences on Restatement of Foreign Currency Cash and Cash Equivalents		(1.64)		10.96
	Cash and Cash equivalents at the end of the year (Refer Note 14)		**6,358.39**		**400.01**

Notes:

1 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) – 3 on Cash Flow Statements as specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013.

2 On April 27, 2016 the Company has allotted 102,04,081 (one crore two lakhs four thousand eighty one) equity shares of ₹ 1 at a price of ₹ 245 (including premium of ₹ 244) per equity share aggregating to ₹ 25,000 lakhs to its existing equity shareholders on rights basis.

3 Previous year's figure have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

See accompanying notes forming part of the Financial Statements 1- 40

In terms of our report attached
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

RAJESH K. HIRANANDANI
Partner
Mumbai, 5th May, 2017

CHETAN M. RAJPARA
Chief Financial Officer

DEBASHIS DEY
Company Secretary

For and on behalf of the Board
DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director
Mumbai, 5th May, 2017

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

		As at 31st March, 2017		As at 31st March, 2016	
		Number of Equity Shares	₹ in Lakhs	Number of Equity Shares	₹ in Lakhs
1	**Share Capital**				
	Authorised				
	Equity Shares of ₹ 1 each	266,500,000	2,665.00	266,500,000	2,665.00
		266,500,000	**2,665.00**	**266,500,000**	**2,665.00**
	Issued, Subscribed and Fully Paid Up (Refer Note 26)				
	Equity Shares of ₹ 1 each (At the beginning of the year)	236,687,354	2,366.97	236,687,354	2,366.87
	Add : Annulment of forfeited shares		0.03		-
	Add : Shares issued on Right basis		102.04		-
	Add : Amount Paid up on Nil (Previous Year 17,093) Equity Shares Forfeited @ ₹ 0.60 each		-		0.10
	Equity Shares of ₹ 1 each (At the end of the year)		**2,469.04**		**2,366.97**

(₹ in Lakhs)

		As at 31st March, 2017		As at 31st March, 2016	
2	**Reserves and Surplus**				
	Securities Premium Account				
	Opening Balance	19,523.57		19,514.10	
	Add : Premium on calls paid on annulment of forfeited shares during the year (Refer Note 26 (iv))	1.21		-	
	Add : Premium on Rights issued during the year (Refer Note 26 (v))	24,897.96		9.47	
	Closing Balance		44,422.74		19,523.57
	General Reserve				
	As per Last Balance Sheet		3,397.66		3,397.66
	Less :				
	Deficit in Statement of Profit and Loss				
	Opening Balance	22,297.93		15,298.73	
	Add : Loss for the year	12,026.73		6,999.20	
	Closing Balance		34,324.66		22,297.93
			13,495.74		**623.30**
3	**Long-term Borrowings**				
	Term Loan from Department of Science and Technology (DST), Government of India under the "Drug and Pharmaceutical Research Program" (Unsecured)				
	[Repayable in 5 (Previous Year 6) Annual Installments of ₹ 54.52 Lakhs each. Last instalment is due on 1st September, 2021]. For the current maturities of long term debt refer Note 7 Other Current Liabilities.		218.09		272.61
			218.09		**272.61**

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

		As at 31st March, 2017		As at 31st March, 2016	
4	**Deferred Tax Liabilities (Net)**				
	Deferred Tax Liability				
	Depreciation on Fixed Assets		2,352.83		2,189.00
	Less :				
	Deferred Tax Assets				
	Provision for Employee Benefits	241.54		187.53	
	Unabsorbed Business Losses / Capital Expenditure (unabsorbed depreciation) (Restricted to the extent of deferred tax liability on depreciation on account of uncertainty of future taxable income) (Refer Note 30)	2,111.29		2,001.47	
			2,352.83		2,189.00
			-		-
5	**Long-term Provisions**				
	Provision for Employee Benefits				
	Compensated Absences		415.28		329.60
	Gratuity		2.91		-
			418.19		329.60
6	**Short-term Borrowings**				
	Loans Repayable on Demand				
	From Banks				
	Bank Overdraft Facility (Unsecured)	41.10		220.11	
	Cash Credit Facility (Secured by Lien on Margin Money Deposits)	-	41.10	127.51	347.62
	From Others				
	Unsecured Loan		-		4,900.00
			41.10		5,247.62
7	**Other Current Liabilities**				
	Current Maturities of Long-term Debt - Unsecured Term Loan from DST		54.52		54.52
	Interest Accrued but not due on borrowings		4.77		13.58
	Interest Payable		-		74.12
	Unclaimed excess Share Application Money		1.52		1.24
	Other Payables				
	Statutory Remittances	374.48		564.44	
	Payables on Purchase of Fixed Assets	42.25		124.32	
	Contractually Reimbursable Expenses	120.86		-	
	Security Deposits Received	67.02		53.30	
	Advances from Customers	315.00		323.03	
	Other	0.92		-	
			920.53		1,065.09
			981.34		1,208.55

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

	As at 31st March, 2017	As at 31st March, 2016
8 Short-term Provisions		
Provision for Employee Benefits		
Compensated Absences	147.85	119.84
Gratuity	187.09	92.44
	334.94	212.28

9 Fixed Assets

(₹ in Lakhs)

Description of Assets	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	As at 1st April, 2016	Additions during the year	Deductions during the year	As at 31st March, 2017	As at 1st April, 2016	For the year	Deductions during the year	As at 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016
Owned Assets										
Tangible Assets										
Buildings*	**2,124.20**	**-**	**-**	**2,124.20**	**359.82**	**35.53**	**-**	**395.35**	**1,728.85**	**1,764.38**
	(2,124.20)	-	-	(2,124.20)	(324.29)	(35.53)	-	(359.82)	(1,764.38)	(1,799.91)
Plant and Equipment	**8,020.35**	**663.49**	**12.21**	**8,671.63**	**3,113.34**	**698.65**	**8.86**	**3,803.13**	**4,868.50**	**4,907.01**
	(7,061.76)	(1,033.77)	(75.18)	(8,020.35)	(2,477.83)	(656.30)	(20.79)	(3,113.34)	(4,907.01)	(4,583.93)
Furniture and Fixtures	**126.38**	**6.16**	**-**	**132.54**	**57.47**	**13.90**	**-**	**71.37**	**61.17**	**68.91**
	(105.52)	(20.86)	-	(126.38)	(45.39)	(12.08)	-	(57.47)	(68.91)	(60.13)
Vehicles	**410.73**	**108.02**	**78.27**	**440.48**	**155.39**	**75.89**	**48.15**	**183.13**	**257.35**	**255.34**
	(346.04)	(85.49)	(20.80)	(410.73)	(110.90)	(53.95)	(9.46)	(155.39)	(255.34)	(235.14)
TOTAL	**10,681.66**	**777.67**	**90.48**	**11,368.85**	**3,686.02**	**823.97**	**57.01**	**4,452.98**	**6,915.87**	**6,995.64**
Previous Year	(9,637.52)	(1,140.12)	(95.98)	(10,681.66)	(2,958.41)	(757.86)	(30.25)	(3,686.02)	(6,995.64)	

*Pending registration

Previous Year figures are in brackets

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

		As at 31st March, 2017	As at 31st March, 2016
10	**Long-term Loans and Advances**		
	(Unsecured - Considered Good)		
	Capital Advances	14.31	75.47
	Loans and Advances to Employees	6.20	71.12
	Prepaid Expenses	16.94	5.08
	Security Deposits	0.11	0.11
	Advance Income Tax [Net of Provisions ₹ 400.00 Lakhs (Previous Year ₹ 400.00 Lakhs)]	4,324.12	2,251.87
		4,361.68	**2,403.65**
11	**Other Non-current Assets**		
	Unamortised Share Issue Expenses	118.96	118.43
	Receivable on Sale of Fixed Asset	0.46	-
	Balances held as Margin Money with Bank against Guarantees	2.05	1.89
		121.47	**120.32**
12	**Current Investments (At lower of cost and fair value)**		
	In Mutual Funds - Unquoted (Fully Paid up)		
	8,012.443 (Previous Year Nil) Units of Face Value of ₹ 1,000 each in Reliance Liquid Fund - Cash Plan-Direct Growth Plan	205.39	-
	30,193.742 (Previous Year Nil) Units of Face Value of ₹ 1,000 each in BNP Paribas Overnight Fund - Growth	750.00	-
		955.39	**-**
13	**Trade Receivables**		
	(Unsecured – Considered Good)		
	Outstanding for a period exceeding six months from the date they are due for payment	-	18.19
	Other Trade Receivables	3,890.02	897.77
		3,890.02	**915.96**

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

		As at 31st March, 2017		As at 31st March, 2016	
14	**Cash and Cash Equivalents**				
	Balances that meet the definition of Cash and Cash Equivalents as per AS 3 - Cash Flow Statements				
	Cash on Hand		0.42		0.39
	Balances with Banks				
	- In Current Accounts	0.15		21.56	
	- In EEFC Accounts	1.55		378.06	
	- In Fixed Deposits	6,356.27		-	
			6,357.97		399.62
			6,358.39		400.01
	Other Bank balances				
	Fixed deposit towards Margin Money against Guarantees		670.80		683.72
	Other Fixed Deposits				
	In Earmarked Accounts				
	- Share Application money pending allotment		-		189.97
	- Share Application money refund account		1.44		1.15
			7,030.63		1,274.85
15	**Short-term Loans and Advances**				
	(Unsecured – Considered Good)				
	Loans and Advances to Employees		140.85		88.28
	Security Deposit		-		125.00
	Prepaid Expenses		135.69		74.56
	Balances with Government Authorities		3,300.25		3,456.09
	Advances for Supply of Goods and Services		306.68		665.17
			3,883.47		4,409.10
16	**Other Current Assets**				
	(Unsecured – Considered Good)				
	Unamortised Share Issue Expenses		39.65		57.47
	Interest Accrued but not due on Fixed Deposits		58.87		1.72
			98.52		59.19

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

		Year ended 31st March, 2017		Year ended 31st March, 2016	
17	**Revenue from Operations**				
	Sale of Services - License Fees / Royalty on Technology / R&D Services		18,102.48		16,128.24
			18,102.48		**16,128.24**
18	**Other Income**				
	Interest on:				
	Deposits with Banks	1,155.99		57.17	
	Loans and Advances to Employees	8.05		12.90	
	Income Tax Refund	-		0.40	
	Others	0.68	1,164.72	2.69	73.16
	Gain on Sale of Current Investments		15.32		5.28
	Net Gain on Foreign Currency Transactions and Translation		181.30		-
	Miscellaneous Income (Refer note 40)		1.23		215.23
			1,362.57		**293.67**
19	**Cost of Materials Consumed**				
	R&D Materials Consumed		2,518.35		1,886.81
			2,518.35		**1,886.81**
20	**Employee Benefits Expense**				
	Salaries and Wages		7,491.67		4,660.52
	Contribution to Provident and Other Funds		482.41		493.57
	Staff Welfare Expenses		469.11		506.23
			8,443.19		**5,660.32**
21	**Finance Costs**				
	Interest on:				
	Borrowings		181.98		214.53
	Others		-		1.16
			181.98		**215.69**

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

(₹ in Lakhs)

		Year ended 31st March, 2017		Year ended 31st March, 2016	
22	**Other Expenses**				
	Consumption of Stores and Spare Parts		213.01		203.12
	Power and Fuel		467.42		449.23
	Rates and Taxes		16.74		42.99
	Rent (Refer Note 37)		12.21		12.23
	Insurance		113.83		24.09
	Repairs				
	Building	8.90		21.57	
	Machinery	363.93		309.33	
	Others	9.94	382.77	15.18	346.08
	Printing and Stationery		34.36		28.30
	Travelling and Conveyance		619.57		472.42
	Professional Fees		242.54		264.42
	Communication		95.42		49.62
	Loss on Fixed Assets Sold / Discarded		16.57		13.64
	License and Fees		176.07		149.63
	Labour Charges		210.05		205.84
	Maintenance Charges		59.87		38.23
	Membership Fees and Subscription		81.31		22.83
	Net Loss on Foreign Currency Transactions and Translation		-		20.94
	Payments to Auditors (Net of Service Tax)				
	As Auditors	13.75		12.50	
	For Other Services	5.25		4.50	
	Reimbursement of Expenses	0.57	19.57	0.66	17.66
	Software Expenses		379.95		111.31
	Amortisation of Share Issue Expenses		67.51		27.86
	Miscellaneous Expenses		1,729.96		445.49
			4,938.73		**2,945.93**

23 Significant Accounting Policies

i Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act") as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

ii Use of Estimates

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles in India requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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 (Tangible Assets)

Fixed Assets are stated at historical cost less accumulated depreciation thereon and impairment losses, if any. Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on fixed assets has been provided on the Straight Line Method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Assets costing ₹ 5,000 or less are charged off as expense in the year of purchase. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use.

iv Leases

Lease arrangements where risk and rewards incidental to ownership of the asset substantially vest with lessor are recognised as operating lease. Lease rental for assets taken on operating lease are recognised in the Statement of Profit and Loss on a straight line basis over the period of lease.

v Research and Development Cost

The research and development cost is accounted in accordance with Accounting Standard – 26 'Intangible Assets'. All related revenue expenditure incurred on original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding up to the time when it is possible to demonstrate probable future economic benefits, is recognised as research expenses and charged off to the Statement of Profit and Loss, as incurred. All subsequent expenditure incurred for product development on the application of research findings or other knowledge upon demonstration of probability of future economic benefits, prior to the commencement of production, to the extent identifiable and possible to segregate are accumulated and carried forward as development expenditure under Intangible assets under development, to be capitalised as an intangible asset on completion of the project. In case a project does not proceed as per expectations / plans, the same is abandoned and the amount classified as development expenditure under Intangible assets under development is charged off to the Statement of Profit and Loss.

vi Revenue Recognition

Sale of Technology / Know-how (rights, licenses and other intangibles) are recognised when performance obligation is completed or when risk and rewards of ownership of the products are passed on to the customers, which is generally as per agreement. License Fees / Royalty Income is recognised on accrual basis as per relevant agreement. Sales are stated net of returns, VAT/ Sales Tax, Service tax if any.

vii 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 the value of such investments.

viii Foreign Currency Transactions and Translations

Initial recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rate prevailing on the date of the transaction or at rate that closely approximate the rate at the date of the transaction.

Measurement at the balance sheet date

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Accounting for forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in which such cancellation or renewal is made.

ix Derivative Contracts

Derivative contracts in the nature of currency forward contracts with an intention to hedge existing assets and liabilities are accounted as per the policy stated for Foreign currency transactions and translations.

All other derivative contracts entered into for hedging the future foreign currency fluctuation risk are accounted for on the principles of prudence as enunciated in Accounting Standard 1. Pursuant to this, losses if any on mark to market basis are recognised in Statement of Profit and Loss.

x Government Grants / Subsidies

Government grants are accounted when there is reasonable assurance that the Company will comply with the conditions attached to them and it is reasonably certain that the ultimate collection will be made. Capital subsidy in nature of Government Grants related to specific fixed assets is accounted for where collection is reasonably certain and the same is shown as a deduction from the gross value of the asset concerned in arriving at its book value and accordingly the depreciation is provided on the reduced book value.

xi Taxes on Income

Tax expenses comprises of Current tax and Deferred tax. Current Tax provision, if any, has been made on the basis of reliefs and deductions available under the Income Tax Act,1961. Minimum Alternate Tax (MAT) credit entitlement available under the Income Tax Act, 1961 is recognised to the extent that there is convincing evidence that the Company will pay normal income tax during the specified future period. The Company reviews the carrying amount of MAT credit entitlement at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence that Company will pay normal income tax during the specified future period. Deferred tax resulting from "timing differences" between taxable and accounting income that originate in one period and are capable of being reversed in one or more subsequent period is accounted for 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 capital expenditure 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.

xii Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences.

Defined contribution plans

The Company's contribution to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date ascertained on actuarial basis by an independent valuer and provided as per Company's rules.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Gratuity

With respect to gratuity liability, Company contributes to LIC under Employee Group Gratuity Scheme. The cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

xiii 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 uncertain 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 cannot be made. Contingent Assets are not recognised in the financial statements.

xiv Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the lower of recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised.

xv Share Issue Expenses

Expenses incurred in connection with issue of shares is accumulated and amortised over a period of 5 years from the year of issue of shares.

xvi 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.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

24 Contingent Liabilities and Commitments (to the extent not provided for)

		As at 31st March, 2017	As at 31st March, 2016
		₹ in Lakhs	₹ in Lakhs
i	**Contingent Liabilities**		
	a) Guarantees given by the bankers against custom licenses	168.71	187.99
	b) Disputed demands by Income Tax Authorities *	5,099.06	1,812.00
	c) Disputed demands by Sales Tax Authorities *	-	29.84
	* Amount paid under protest is classified under Short Term Loans & Advances	2,462.00	913.59

Future cash outflows in respect of the above matters are determinable only on receipt of judgements/decisions pending at various forums/authorities. The Company does not expect the outcome of the matters stated above to have material adverse impact on the Company's financial condition, results of operation or cash flows. The Company doesn't envisage any likely reimbursement in respect of the above.

		As at 31st March, 2017	As at 31st March, 2016
		₹ in Lakhs	₹ in Lakhs
ii	**Commitments**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances)	139.25	61.67

25 Status of Utilisation of rights issue proceeds

Particulars of the Objects	Amount to be funded from the net proceeds	Amount utilised towards objects of the issue up to 31st March, 2017	Balance unutilised amount as on 31st March, 2017
	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Any Research and Development activities / expenses *	19,474.37	13,948.14	5,526.23
General corporate purposes	5,272.22	4,823.31	448.91
Issue expenses	253.41	166.57	86.84
Funds utilised	25,000.00	18,938.02	6,061.98

* Revised from 'Expenditure related to any Pharmaceutical research and development' pursuant to a Special Resolution passed by shareholders by way of Postal Ballot, whose results were declared on 20th September, 2016.

26 Disclosures relating to Share Capital

i Rights, Preferences and Restrictions attached to Equity Shares

The Company has only one class of share referred to as equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share however voting rights in respect of 1584 shares which have been transferred by the Company to 'SPARC Unclaimed Suspense Account' during the year in compliance with the requirements of SEBI (LODR) Regulations, 2015 is under suspension.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

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

Name of the Shareholder	As at 31st March, 2017		As at 31st March, 2016	
	No. of Equity Shares held	% of Holding	No. of Equity Shares held	% of Holding
Dilip Shantilal Shanghvi	28,102,795	11.38	26,809,395	11.33
Viditi Investment Private Limited	24,691,877	10.00	23,555,458	9.95
Tejaskiran Pharmachem Industries Private Limited	24,238,132	9.82	23,122,598	9.77
Quality Investments Private Limited	23,832,880	9.65	22,735,998	9.61
Family Investments Private Limited	23,668,141	9.59	22,578,841	9.54
Virtuous Share Investment Private Limited	12,545,473	5.08	11,968,080	5.06

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

	As at 31st March, 2017		As at 31st March, 2016	
	No. of Equity Shares held	₹ in Lakhs	No. of Equity Shares held	₹ in Lakhs
Opening Balance	236,687,354	2,366.97	236,704,447	2,366.83
Add : Unpaid Call received during the year	-	-	-	0.04
Add : Shares issued on Right Basis	10,204,081	102.04	-	-
Add : Annulment of forfeited shares	4,542	0.03	-	-
Add : Amount Paid up on Nil (Previous Year 17,093) Equity Shares Forfeited @ ₹ 0.60 each	-	-	-	0.10
Less : Shares forfeited during the year	-	-	17,093	-
Closing Balance	246,895,977	2,469.04	236,687,354	2,366.97

iv During the financial year 2015-16, the Company had forfeited 17,093 Equity Shares of ₹ 1 each (paid up amount ₹ 0.60 per share) due to non-payment of call money which is included in Share Capital in Note 1 above. These shares were originally allotted on 3rd October, 2012 and the final call money of ₹ 27 per share was outstanding at the time of forfeiture (consisting of ₹ 0.40 per share and ₹ 26.60 per share towards Share Capital and Share Premium respectively). During the current financial year, the Board of Directors of the Company have anulled the forfeiture on 4,542 shares on receipt of application from the original shareholders along with application money towards balance unpaid amount.

v On 27th April, 2016 the Company has allotted 102,04,081 (one crore two lakhs four thousand eighty one) equity shares of ₹ 1 at a price of ₹ 245 (including premium of ₹ 244) per equity share aggregating to ₹ 25,000 lakhs to its existing equity shareholders on rights basis.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

27 During the year, the Company had Specified Bank Notes (SBNs) or Other Denomination notes (ODNs) as defined in the MCA notification G.S.R. 308(E) dated 31st March, 2017 on the details of SBNs held and transacted during the period from 8th November, 2016 to 30th December, 2016 the denomination wise SBNs and other notes as per the notification given below

Particulars	SBNs	ODNs	Total
Closing Balance as at 8th November, 2016	0.74	0.24	0.98
Add : Imprest advance received from employee	0.12	-	0.12
	0.86	0.24	1.10
Transactions between 9th November, 2016 and 30th December, 2016			
Add: Withdrawal from Bank accounts		3.19	3.19
Add: Receipts for permitted transactions		0.12	0.12
Less : Paid for permitted transactions		2.11	2.11
Less: Deposited in bank accounts	0.86		0.86
Closing Balance as at 30th December, 2016	-	1.44	1.44

28 **Information Relating to Consumption of Materials**

	As at 31st March, 2017		As at 31st March, 2016	
	%	₹ in Lakhs	%	₹ in Lakhs
Imported and indigenous				
R & D Materials Consumed				
Imported	50.32	1,267.20	28.17	531.42
Indigenous	49.68	1,251.15	71.83	1,355.39
	100.00	2,518.35	100.00	1,886.81

29 **Income / Expenditure in Foreign Currency**

	Year ended 31st March, 2017	Year ended 31st March, 2016
	₹ in Lakhs	₹ in Lakhs
Income		
Sale of Services - License Fees / Royalty on Technology / R&D Services	14,225.35	11,852.91
Expenditure		
R & D Materials Consumed (CIF basis)	1,267.20	531.42
Capital Goods (CIF basis)	402.56	851.30
Clinical Trials and Professional charges	12,745.60	9,914.60
Others	1,929.57	1,131.30

30 The timing differences mainly relating to unabsorbed capital expenditure and carried forward losses under the Income Tax Act, 1961, results in a deferred tax asset as per Accounting Standard 22 on "Accounting for Taxes on Income". Deferred tax asset has been recognised in respect of unabsorbed business losses / capital expenditure, 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, which management expects to be available after tax holiday period u/s 80-IB

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

of the Income Tax Act, 1961. As a prudent measure, the excess deferred tax asset (net) of ₹ 7,895.51 Lakhs (Previous Year ₹ 5,524.85 Lakhs) in relation to the above has not been recognised in the financial statements 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.

31 The net exchange gain / (loss) included under Revenue from Operations, Other Income, Cost of Materials Consumed and Other Expenses in the Statement of Profit and Loss aggregates ₹ 179.02 Lakhs (Previous Year (₹ 17.49 Lakhs)).

32 Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. There are no outstanding dues to Micro Enterprises and Small Enterprises during the year. Hence, there is no additional disclosure required to be made in this regard.

33 Accounting Standard (AS-17) on Segment Reporting

i Primary Segment

The Company has identified "Pharmaceuticals Research & Development" as the only primary reportable business segment.

	Year ended 31st March, 2017	Year ended 31st March, 2016
	₹ in Lakhs	₹ in Lakhs
ii Secondary Segment (by Geographical Segment)		
Within India	3,877.13	4,275.33
Outside India	14,225.35	11,852.91
Total Revenue from Operations	18,102.48	16,128.24

In view of the interwoven / intermix nature of business, other segmental information is not ascertainable.

34 Accounting Standard (AS-20) on Earnings Per Share

	Year ended 31st March, 2017	Year ended 31st March, 2016
Loss for the year (₹ in Lakhs)	12,026.73	6,999.20
Weighted Average number of Shares used in computing basic and diluted earnings per share	246,167,583	236,685,452
Nominal / Face Value Per Share (in ₹)	1.00	1.00
Basic and Diluted Earnings Per Share (in ₹)	(4.87)	(2.96)

35 As per the best estimate of the management, no provision is required to be made as per Accounting Standard - 29 on "Provisions, Contingent Liabilities and Contingent Assets" in respect of any present obligation as a result of a past event that could lead to probable outflow of resources, which would be required to settle the obligation.

36 Disclosure with respect to Accounting Standards-18 on "Related Party Disclosures" is as per Annexure - "A" annexed.

37 Accounting Standard (AS-19) on Leases

i The Company has obtained 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 license, or longer for the lease and are renewable by mutual consent on mutually agreeable terms.

ii Lease payments are recognised in the Statement of Profit and Loss under "Rent" in Note No. 22

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

38 Details of Unhedged Foreign Currency Exposure

i During the year Company had not entered into any forward foreign currency contracts.

As at the year end, foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

(in Lakhs)

Currency	As at 31st March, 2017		As at 31st March, 2016	
	Foreign Currency	Rupee	Foreign Currency	Rupee
Amounts receivable in foreign currency :				
USD	50.54	3,277.33	10.90	722.47
EUR	-	-	0.10	7.44
Amounts payable in foreign currency :				
USD	85.23	5,527.18	41.01	2,717.35
AUD	0.06	2.85	-	-
CAD	0.27	13.29	0.01	0.47
CHF	-	-	0.10	6.68
EUR	5.22	361.83	1.86	139.97
GBP	0.40	32.37	0.08	7.89
JPY	9.71	5.63	8.45	4.98
SEK	1.09	7.90	-	-
NZD	-	-	0.00	0.20
SGD	-	-	0.03	1.30

39 Accounting Standard (AS-15) on Employee Benefits

Contributions are made to Government Provident Fund, Family Pension Fund, Employees' State Insurance Corporation (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 an expense in respect of these defined contribution plans, aggregate ₹ 293.50 Lakhs (Previous Year ₹ 224.46 Lakhs) is included in Contribution to Provident and Other funds in Note 20.

	Year ended 31st March, 2017	Year ended 31st March, 2016
	₹ in Lakhs	₹ in Lakhs
Contribution to Provident and Family Pension Fund	291.33	222.14
Contribution to Employees' State Insurance Scheme	0.44	0.37
Contribution to Labour Welfare Fund	0.02	0.03
Contribution to Employee Deposit Linked Insurance Scheme (E.D.L.I.S.)	1.71	1.92

In respect of Gratuity, contributions are made to Life Insurance Corporation of India (LIC) Recognised Group Gratuity Fund Scheme based on amount demanded by LIC. Provision for Gratuity is based on actuarial valuation done by independent actuary as at the year end. Actuarial Valuation for Compensated Absences is done as at the year end and the provision is made as per Company rules amounting to ₹ 563.13 Lakhs (Previous Year ₹ 449.44 Lakhs) 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.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

Disclosure In respect of gratuity (Funded):

	31st March, 2017 ₹ in Lakhs	31st March, 2016 ₹ in Lakhs
Reconciliation of liability / (asset) recognised in the Balance sheet		
Present value of commitments (as per Actuarial Valuation)	1,139.32	957.69
Fair value of plan assets	949.32	865.25
Net liability / (asset) in the Balance sheet	190.00	92.44
Movement in net liability / (asset) recognised in the Balance sheet		
Net liability / (assets) as at beginning of the year	92.44	(36.11)
Net expense recognised in the Statement of Profit and Loss	147.20	266.46
Contribution during the year	(49.64)	(137.91)
Net liability / (asset) as at the end of the year	190.00	92.44
Expense recognised in the Statement of Profit and Loss		
Current service cost	94.26	72.68
Interest cost	72.41	52.74
Expected return on plan assets	(65.41)	(55.64)
Actuarial loss	45.94	196.68
Expense charged to the Statement of Profit and Loss	147.20	266.46
Return on plan assets		
Expected return on plan assets	65.41	55.64
Actuarial loss	4.69	3.27
Actual return on plan assets	70.10	58.91
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	957.69	656.76
Current service cost	94.26	72.68
Interest cost	72.41	52.74
Paid benefits	(35.66)	(24.44)
Actuarial loss	50.62	199.95
Commitments as at the end of the year	1,139.32	957.69
Reconciliation of plan assets		
Plan assets as at beginning of the year	865.24	692.86
Expected return on plan assets	65.41	55.64
Contributions during the year	49.64	137.91
Paid benefits	(35.66)	(24.44)
Actuarial loss	4.69	3.27
Plan assets as at the end of the year	949.32	865.24

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.

	31st March, 2017	31st March, 2016
Discount rate	7.12%	7.56%
Expected return on plan assets	7.12%	7.56%
Expected rate of salary increase	10.00%	10.00%
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (2006-08) Ultimate

Year Ended ₹ in Lakhs

	31st March, 2017	31st March, 2016	31st March, 2015	31st March, 2014	31st March, 2013
Experience adjustment					
On plan liabilities - Loss / (Gain)	12.04	47.09	(122.27)	30.39	48.43
On plan assets - Gain / (Loss)	4.69	3.27	(2.11)	13.98	8.33
Present value of benefit obligation	1,139.32	957.69	656.76	535.45	565.52
Fair value of plan assets	949.32	865.24	692.87	634.45	445.00
Excess of plan assets over obligation /(obligation over plan assets)	190.00	92.44	(36.11)	99.00	(120.52)

Category of Plan Assets

The Company's Plan Assets in respect of Gratuity are funded through the Group Schemes of the Life Insurance Corporation of India.

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

40 Previous year's figure have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

Annexure : 'A'

Accounting Standard (AS-18) " Related Party Disclosures "

Names of related parties and description of relationship

1. **Key Management Personnel**

   Mr. Dilip S. Shanghvi, Chairman & Managing Director

   Mr. Sudhir V. Valia, Director (Director and Chief Financial Officer upto 31st January, 2017)

2. **Enterprise under significant Influence of Key Management Personnel (with whom transactions are entered)**

Sun Pharmaceutical Industries Ltd.	Taro Pharmaceuticals Industries Limited
Sun Pharma Laboratories Ltd.	Alkaloida Chemical Company ZRT
Sun Pharma Global FZE	Ranbaxy (S.A.) (PTY) Ltd.
Sun Pharmaceutical Industries Inc.	Insite Vision Inc.
Sun Pharmaceutical Industries Europe	Ranbaxy (Thailand) Co. Ltd.
Taro Pharmaceuticals Inc.	Sun Farmaceutica Do Brasil Ltda

Particulars	31st March, 2017 ₹ in Lakhs	31st March, 2016 ₹ in Lakhs
Sun Pharmaceutical Industries Ltd		
Sale of Services - License Fees / Royalty on Technology / R&D Services	1,763.23	2,249.68
Purchase of Goods	133.92	662.76
Purchase of Fixed Assets	41.81	-
Rent Paid	12.19	12.12
Receiving of Research and Development Services	1,208.16	1,521.55
Sale of Fixed Assets	-	40.48
Reimbursement of Expenses to the Company	405.90	415.78
Reimbursement of Expenses by the Company	67.67	42.16
Outstanding Balance Payable	749.60	1,344.93
Sun Pharma Laboratories Ltd		
Sale of Services - License Fees / Royalty on Technology	2,197.77	1,981.65
Purchase of Goods	0.33	0.15
Reimbursement of Expenses by the Company	-	-
Outstanding Balance Receivable / (Payable)	295.60	(128.95)
Sun Pharma Global FZE		
Sale of Products - Technology / Know-how	-	-
Sale of Services - License Fees / Royalty on Technology	14,128.35	11,205.57
Rendering of Research and Development Services	28.53	-
Reimbursement of Expenses by the Company	0.43	214.81
Outstanding Balance Receivable	3,242.83	722.47

Notes Forming Part of the Financial Statements

for the year ended 31st March, 2017

Particulars	31st March, 2017 ₹ in Lakhs	31st March, 2016 ₹ in Lakhs
Sun Pharmaceutical Industries Inc.		
Sale of Services - License Fees / Royalty on Technology	-	639.90
Reimbursement of Expenses to the Company	2,482.84	348.37
Purchase of Goods / Product Development charges	341.54	322.13
Outstanding Balance Payable	3,360.13	668.40
Sun Pharmaceutical Industries Europe		
Purchase of Goods	17.60	2.30
Outstanding Balance Payable	18.12	2.28
Taro Pharmaceuticals Inc.		
Purchase of Goods	14.17	-
Outstanding Balance Payable	13.29	-
Taro Pharmaceuticals Industries Limited		
Rendering of Research and Development Services	48.09	-
Outstanding Balance Receivable	30.24	-
Alkaloida Chemical Company ZRT		
Purchase of Goods	98.17	-
Outstanding Balance Payable	47.06	-
Insite Vision Inc.		
Rendering of Research and Development Services	20.74	-
Outstanding Balance Receivable	4.25	-
Ranbaxy (Thailand) Co. Ltd.		
Purchase of Goods	0.62	-
Outstanding Balance Payable	0.59	-
Sun Farmaceutica Do Brasil Ltda		
Purchase of Goods	0.75	-
Outstanding Balance Payable	0.71	-

Sun Pharma Advanced Research Company Ltd.
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