

Press Release

Sun Pharma's board to meet: audited accounts, MJ Pharma merger

Mumbai, May 27, 2002:

The Board of Directors of the speciality pharma company Sun Pharma will meet on Thursday, 30th May 2002. This meeting will take on record the BIFR order sanctioning the merger of M. J. Pharmaceuticals Ltd (MJPL) with Sun Pharma after its restructuring w.e.f. 1st January 2002.

The record date for the share swap for MJPL shareholders will be decided at the meeting. As per the sanctioned scheme, the shareholders of MJPL will receive one share of Sun Pharma for 210 shares of MJPL.

(Note on MJ Pharma restructuring/rehabilitation, which has been shared earlier, is also attached for reference.)

The board will also approve Sun Pharma's audited annual accounts for the year ended 31st March, 2002 and recommend a dividend on equity shares of the Company.

Mira Desai, Corporate Communications

Phone :022-8212128/ /8230102/8211961 ext 243

E mail: miradesai@hotmail.com, corpcomm@sunpharma.com

ANNEXURE (note: this was circulated last year)

Note on M J Pharma:

This note seeks to explain the restructuring proposed at MJ Pharma. This notice is being circulated to the shareholders of the company and is part of the notice dated October 19,2001 for the AGM to be held on November 28,2001

Background:

M J Pharma (03/2001 Sales Rs37.66cr , loss Rs.0.80cr, file attached) is a company in which Sun Pharma made an equity investment in November 1996. Sun Pharma currently holds a 44.3% stake in the company, and the total group stake stands at 72%. The primary reason for this investment was the interest in using MJ Pharma's formulation site for the regulated market in Europe.

MJ Pharma comprises of 2 units-

- a. A bulk drug facility in Ankleshwar which has been non operational since the early 90's
- b. A formulations plant in Halol which is UK MCA and South Africa MCC approved. This site is currently being used as a third party or contract manufacturing site by Sun Pharma as well as companies like Eli Lilly and Knoll Pharma. There are substantial fiscal benefits that accrue to Sun Pharma on account of manufacturing using a third party site.

Objective:

The scheme that has been proposed seeks to bring MJ Pharma back to health and take it out of the purview of BIFR while retaining the fiscal benefits to Sun Pharma.

The scheme:

MJ Pharma is a sick industrial company under the provisions of the sick industrial company (special provisions) Act 1985. MJ Pharma has submitted a draft rehabilitation scheme to the operating agency ICICI Ltd. and BIFR.

The key features of the draft scheme are as under:

1. On Jan 1,2002, MJ Pharma will sell the formulation unit at Halol (except land and building) as a going concern to Sibai. Sibai will continue to manufacture products for Sun Pharma and other multinational companies. Sun Pharma will also continue to have access to the facility for its registrations for the European markets.
2. The residual MJ Pharma with bulk drug facility at Ankleshwar, land and building of the Halol unit, long term loan and accumulated losses will be merged with Sun Pharma with effect from Jan1,2002. Sun Pharma will take over MJ Pharma's long term loans of 20.21cr.
3. Sun Pharma will allot equity shares of Sun Pharma to MJ Pharma shareholders in the ratio of 1:210, this has been recommended by the valuers, Price Waterhouse. However this ratio is subject to approval by BIFR/other authorities.
4. As on March 2001, MJ Pharma had accumulated loss of Rs28.63cr. Sun Pharma is likely to benefit from a tax shelter of Rs12.5cr. The unabsorbed losses and depreciation could be set off in Sun Pharma against income in the year of merger.
5. The scheme is pending approval of the BIFR. Pending approval, the company has initiated rehabilitation of the bulk drug unit at Ankleshwar. The company expects to invest Rs8-10cr towards capex spread over the next 12-15 months. The unit at Ankleshwar will have multiproduct flexibility and will eventually meet requirements of both the domestic and less regulated markets.

Contact : R K Baheti, Sr. VP-Finance

91-22-8211961/8230102

rajkumar_baheti@sunpharma.com