



## **PRESS RELEASE**

### **Sun Pharma to acquire Taro Pharma in a USD 454 million deal**

Mumbai, India : May 21, 2007 : Sun Pharmaceutical Industries Ltd. (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE: SUNPHARMA, BSE: 524715), together with its subsidiaries, has signed definitive agreements to acquire Taro Pharmaceutical Industries Ltd., (TAROF, Pink Sheets), a multinational generic manufacturer with established subsidiaries, manufacturing and products across the U.S., Israel, Canada. North America represents more than 90% of Taro's sales.

This all-cash deal is subject to Taro shareholder approval and requisite regulatory clearances. Sun Pharma intends to fund this USD 454 million acquisition with internal accruals and proceeds from its earlier USD 350 million FCCB. This deal values Taro's equity at 230 million, or USD 7.75 per share which is at a 27% premium to its May 18, 2007 closing price of USD 6.10. Sun Pharma will also refinance USD 224 million in net debt of Taro. In addition, to provide immediate liquidity for Taro, Sun Pharma will provide interim financing to the extent of USD 45 million.

Sun Chairman & Managing Director, Dilip Shanghvi, stated, "We look forward to working with Taro and its employees going forward. This is a good opportunity for Sun and Taro to work together to create increasing value and add a complimentary multinational organization to Sun's business. We intend to build on Taro's expertise in dermatology and pediatrics, alongwith specialty and generic pharmaceuticals, and over-the-counter products. With the addition of 170 talented scientists to our team we look forward to increasing number of product filings of higher complexity."

Taro operates mainly through three entities: Taro Pharmaceutical Industries Ltd., or Taro Israel, and two of its subsidiaries, Taro Pharmaceuticals Inc., or Taro Canada, and Taro U.S.A. Taro, headquartered in Haifa, Israel, was established in 1959 and has been listed since 1961 in the US.

Taro had recently reported 2005 sales of USD 298 million and profit of USD 5.7 million. Taro's financial statements for 2003 and 2004 were required to be restated by the audit committee of its board of directors in view of errors in estimating the chargebacks from wholesalers and the actual inventory in the drug distribution chain. As reported on March 20, 2007 by Taro, it expects to report a substantial loss for the year ended December 31, 2006

Taro has a strong franchise in dermatology and topical products, in addition to product baskets in cardiovascular, neuropsychiatric and anti-inflammatory therapeutic categories. Taro US has more than 100 ANDA drug approvals in the U.S. alone. One NDA as well as 26 ANDAs are awaiting approval with the USFDA.

Taro has large, world class sites with necessary regulatory approvals in Canada and Israel that manufactures topical creams and ointments, liquids, capsules and tablets dosage forms which complements our current manufacturing and development capabilities in the US.

Additionally Taro manufactures APIs, including complex chemistry and steroids that are made at its site in Israel an integral component in being vertically integrated on difficult to replicate products. Over

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USD 225 million have been invested by Taro in capex in the last three years which provides Sun with additional capabilities.

Sun Pharma intends to capitalize on the talent that has supported the company within and outside of the US.

At 12-16% of sales, Taro has invested over USD 190 million in R&D so far. Among active projects in drug discovery, is its lead molecule T-2000, which is a non-sedating barbiturate that is being developed for essential tremors. T-2000 is in additional phase II studies in Canada. This is in addition to projects in formulation development for ANDA filing and process chemistry for APIs organic and steroid chemistry. A novel formulation of Ovide® a lice treatment which is another interesting product in their portfolio of proprietary products

On May 10, 2007 Franklin Advisers, Inc. ("Franklin Advisers") and Templeton Assets Management Ltd. ("Templeton"), the beneficial owners of approximately 9% of the Taro's ordinary shares, filed a motion in Tel-Aviv District Court (the "court") to prevent what they allege to be discrimination against minority shareholders. On May 19, 2007 Franklin Advisers and Templeton filed a request with the court for a temporary injunction to prevent Taro from entering into any transaction which might result in discrimination against minority public shareholders. The motion is scheduled to be heard on May 21, 2007.

Sun Pharma believes that the proceedings initiated by Franklin Advisers and Templeton are without merit and are detrimental to the best interests of shareholders and Taro. Taro intends to contest the action vigorously.

### **About Sun Pharma**

Established in 1983, listed since 1994 and headquartered in India, Sun Pharmaceutical Industries Ltd. (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE: SUNPHARMA, BSE: 524715) is an international, integrated, speciality pharmaceutical company. It manufactures and markets a large basket of pharmaceutical formulations as branded generics as well as generics in India, US and several other markets across the world. In India, the company is a leader in niche therapy areas of psychiatry, neurology, cardiology, diabetology, gastroenterology, and orthopedics. The company has strong skills in product development, process chemistry, and manufacturing of complex API, as well as dosage forms. More information about the company can be found at [www.sunpharma.com](http://www.sunpharma.com).

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