

CARACO PHARMACEUTICAL LABORATORIES LTD
Form PREM14A
March 16, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Sec.240.14a-2

CARACO PHARMACEUTICAL LABORATORIES, LTD.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-(i)(1) and 0-1.

(1) Title of each class of securities to which transaction applies:

Caraco Pharmaceutical Laboratories, Ltd. Common Stock, no par value

(2) Aggregate number of securities to which transaction applies:

(a) 9,710,514 shares of common stock outstanding as of March 11, 2011 proposed to be acquired in the merger for the per share merger consideration of \$5.25, (b) 9,000 shares of common stock issuable pursuant to outstanding options as of March 11, 2011 with exercise prices below the per share merger consideration of \$5.25.



(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-1 (set forth the amount on which the filing fee is calculated and state how it was determined):

Calculated solely for purposes of determining the filing fee. The transaction value was determined by adding (a) the product of 9,710,514 shares of common stock that are proposed to be acquired in the merger multiplied by the merger consideration of \$5.25 per share, plus (b) \$9,660, the amount expected to be paid to holders of outstanding stock options to purchase shares of common stock with an exercise price of less than the merger consideration of \$5.25 per share.

(4) Proposed maximum aggregate value of transaction: \$50,989,858.50

(5) Total fee paid: \$5,919.92

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-1(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SUBJECT TO COMPLETION – DATED MARCH __, 2011

Caraco Pharmaceutical Laboratories, Ltd.
1150 Elijah McCoy Drive
Detroit, Michigan 48202

_____, 2011

Dear Stockholder:

You are cordially invited to attend a special meeting (the “special meeting”) of holders of shares of common stock, no par value (the “Common Stock”), of Caraco Pharmaceutical Laboratories, Ltd. (“Caraco” or the “Company”) to be held at _____, on _____, 2011, at 10:00 a.m., local time.

At the special meeting, holders of Common Stock will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger (the “merger agreement”), dated as of February 21, 2011, by and among Sun Pharmaceutical Industries Limited, a corporation incorporated under the laws of India (“Sun Pharma”), Sun Pharma Global, Inc., a corporation incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of Sun Pharma (“Sun Global”), Sun Laboratories, Inc., a Michigan corporation and an indirect wholly-owned subsidiary of Sun Pharma (“Merger Sub”), and Caraco, a copy of which is attached as Appendix A to the accompanying proxy statement.

If the merger is completed, each share of Common Stock outstanding at the effective time of the merger (other than shares owned by Sun Pharma or Sun Global, and holders who have perfected and not withdrawn a demand for appraisal rights, which are collectively referred to in this proxy statement as “excluded shares”) will be canceled and converted into the right to receive \$5.25 in cash, without interest and subject to any applicable withholding taxes, and the directors on Caraco’s board of directors (the “Board of Directors”) will be replaced by the directors of Merger Sub.

To assist in evaluating the fairness to Caraco’s stockholders of the proposed merger, the Board of Directors directed the independent committee (the “Independent Committee”), comprised of Caraco’s independent directors, F. Folsom Bell, Timothy S. Manney and Eddie R. Munson, to consider and negotiate the terms and conditions of the proposed merger and to make a recommendation to the Board of Directors. Messrs. Bell, Manney and Munson are not employees of or affiliated with Caraco (other than in their respective capacity as an independent director) and have no economic interest in Sun Pharma, Sun Global or their affiliates other than Caraco.

The Board of Directors, based on the recommendation of the Independent Committee, has approved and adopted the merger agreement and the related transactions. The Independent Committee (1) has approved and adopted the merger agreement and the related transactions; (2) has determined that the proposed merger agreement and the related transactions are fair to and in the best interests of Caraco’s unaffiliated stockholders (by which we mean, for purposes of this proxy statement, the holders of shares of Common Stock, other than Sun Pharma and Sun Global); and (3) has recommended that Caraco’s unaffiliated stockholders vote FOR the approval and adoption of the merger agreement.

The enclosed proxy statement describes the merger agreement and the related transactions and provides specific information concerning the special meeting. In addition, you may obtain information about Caraco from documents filed with the Securities and Exchange Commission. We urge you to, and you should, read the entire proxy statement carefully, including the appendices, as it sets forth the details of the merger agreement and other important information related to the merger.

The merger cannot occur unless the merger agreement is approved and adopted by the affirmative vote of the holders of a majority of the shares of Caraco's outstanding Common Stock entitled to vote at the special meeting. Sun Pharma and Sun Global each have agreed to cause all of their shares of Common Stock, representing approximately 75.8% of the outstanding shares, to be voted in favor of the merger.

Whether or not you plan to attend the special meeting, please submit your proxy by promptly completing, signing, dating and returning the enclosed proxy card in the postage prepaid envelope. This solicitation is being made by Caraco on behalf of its Board of Directors. If you sign, date and return your proxy card without indicating how you want to vote, and do not revoke the proxy, your proxy will be counted as a vote FOR approval and adoption of the merger agreement. You may revoke your proxy at any time before it is voted by submitting a written revocation of your proxy or a later-dated proxy to the Secretary of Caraco or by attending the special meeting and voting in person. The failure to vote will have the same effect as a vote against approval and adoption of the merger agreement. If you have any questions or require assistance voting your shares, please call Investor Relations at Caraco at (313) 871-8400.

On behalf of the Board of Directors, I thank you for your continued support.

Sincerely,

/s/ GP. Singh
GP. Singh
Director and CEO
For the Board of Directors of Caraco
Pharmaceutical Laboratories, Ltd.
Detroit, Michigan

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.

The attached proxy statement is dated _____, 2011, and is first being mailed to stockholders on or about _____, 2011.

CARACO PHARMACEUTICAL LABORATORIES, LTD.
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2011

NOTICE IS HEREBY GIVEN THAT a special meeting of the holders of Common Stock of Caraco Pharmaceutical Laboratories, Ltd., a Michigan corporation, will be held at _____ on _____, 2011, at 10:00 a.m., local time, to consider and vote on the following matters described in this notice and the accompanying proxy statement:

- 1) To approve and adopt the Agreement and Plan of Merger, dated as of February 21, 2011, by and among Sun Pharmaceutical Industries Limited, Sun Pharma Global, Inc., Sun Laboratories, Inc. and Caraco Pharmaceutical Laboratories, Ltd, a copy of which is attached as Appendix A to the accompanying proxy statement, as it may be amended from time to time; and
- 2) To transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

Only stockholders of record on the close of business on _____, 2011, which we refer to as the “record date,” are entitled to notice of the special meeting or any adjournment or postponement thereof. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the special meeting to approve and adopt the merger agreement. A list of stockholders will be available for inspection by stockholders of record during business hours at Caraco Pharmaceutical Laboratories, Ltd, 1150 Elijah McCoy Drive, Detroit, Michigan, 48202, for ten days prior to the date of the special meeting and will also be available at the special meeting. A majority of the shares of Common Stock outstanding on the record date must be voted in favor of the approval and adoption of the merger agreement in order for the merger to be completed.

The Board of Directors, acting upon the recommendation of the Independent Committee, has approved and adopted the merger agreement and the related transactions. The Independent Committee has also approved and adopted the merger agreement and the related transactions and recommends that you vote FOR approval and adoption of the merger agreement. The Independent Committee believes that the terms and provisions of the merger agreement and the related transactions are fair to and in the best interests of Caraco’s unaffiliated stockholders, that is, the stockholders other than Sun Pharma and Sun Global.

Caraco’s stockholders who do not vote in favor of approval and adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they perfect their appraisal rights by complying with all of the required procedures under Michigan law. See “Proposal One—The Merger—Rights of Appraisal” beginning on page 63 of the accompanying proxy statement and Appendix C to the accompanying proxy statement.

We urge you to, and you should, read the entire proxy statement carefully. Whether or not you plan to attend the special meeting, please submit your proxy by promptly completing, signing, dating and returning the enclosed proxy card in the postage prepaid envelope so that your shares may be represented at the special meeting. Prior to the vote, you may revoke your proxy in the manner described in the proxy statement.

By Order of the Board of Directors

/s/ GP. Singh
Director and CEO
Detroit, Michigan

_____, 2011

Important Notice Regarding the Availability of Proxy Materials for Special Meeting of Stockholders to Be Held on _____, 2011

This Notice of Special Meeting of Stockholders and Proxy Statement are also available at <https://materials.proxyvote.com/14075T>.

You may obtain directions to the special meeting by sending a written request to Caraco Pharmaceutical Laboratories, Ltd., Attention: Investor Relations, 1150 Elijah McCoy Drive, Detroit, Michigan 48202.

TABLE OF CONTENTS

| | PAGE |
|--|------|
| <u>SUMMARY TERM SHEET</u> | 1 |
| <u>The Participants</u> | 1 |
| <u>The Merger Agreement</u> | 2 |
| <u>Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee</u> | 2 |
| <u>Position of the Sun Filing Persons as to the Fairness of the Merger</u> | 4 |
| <u>Opinion of the Independent Committee’s Financial Advisor</u> | 4 |
| <u>Purposes and Effects of the Merger</u> | 5 |
| <u>Merger Financing</u> | 6 |
| <u>Interests of Caraco Directors and Officers in the Merger</u> | 6 |
| <u>Material U.S. Federal Income Tax Consequences</u> | 7 |
| <u>Quorum; Required Vote</u> | 7 |
| <u>Rights of Appraisal</u> | 7 |
| <u>Conditions to Consummation of the Merger</u> | 7 |
| <u>Termination of the Merger Agreement</u> | 8 |
| <u>Change in Recommendation</u> | 8 |
| <u>Regulatory Requirements</u> | 9 |
| <u>Litigation Challenging the Merger</u> | 9 |
| | |
| <u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING</u> | 9 |
| | |
| <u>CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION</u> | 15 |
| | |
| <u>THE SPECIAL MEETING</u> | 16 |
| <u>Time and Place of the Special Meeting</u> | 16 |
| <u>Matters to be Considered</u> | 16 |
| <u>Record Date; Voting Rights</u> | 16 |
| <u>Quorum</u> | 17 |
| <u>Required Vote</u> | 17 |
| <u>Proxies; Revocation</u> | 18 |
| <u>Solicitation of Proxies</u> | 18 |
| <u>Appraisal Rights</u> | 18 |
| | |
| <u>THE PARTICIPANTS</u> | 19 |
| <u>Caraco Pharmaceutical Laboratories, Ltd.</u> | 19 |
| <u>Sun Pharmaceutical Industries Limited</u> | 19 |
| <u>Sun Pharma Global, Inc.</u> | 19 |
| <u>Sun Laboratories, Inc</u> | 20 |
| | |
| <u>PROPOSAL ONE—THE MERGER</u> | 20 |

Table of Contents

| | |
|--|----|
| <u>General</u> | 20 |
| <u>Background of the Merger</u> | 20 |
| <u>Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee</u> | 33 |
| <u>Position of the Sun Filing Persons as to the Fairness of the Merger</u> | 36 |
| <u>Purposes and Effects of the Merger</u> | 41 |
| <u>Opinion of the Independent Committee’s Financial Advisor</u> | 43 |
| <u>Plans for Caraco after the Merger</u> | 51 |
| <u>Financial Projections</u> | 52 |
| <u>Merger Financing</u> | 53 |
| <u>Risks that the Merger will not be Completed</u> | 53 |
| <u>Interests of Caraco Directors and Officers in the Merger</u> | 54 |
| <u>Directors of the Surviving Corporation Post Merger</u> | 54 |
| <u>Compensation of the Independent Committee and Other Members of the Board of Directors</u> | 54 |
| <u>Employment with the Surviving Corporation Post Merger</u> | 54 |
| <u>Indemnification; Insurance</u> | 55 |
| <u>Treatment of Equity Awards</u> | 55 |
| <u>Employment Agreements</u> | 56 |
| <u>Change-in-Control Arrangements</u> | 58 |
| <u>Regulatory Requirements</u> | 59 |
| <u>Provisions for Unaffiliated Stockholders</u> | 59 |
| <u>Estimated Fees and Expenses</u> | 59 |
| <u>Litigation Challenging the Merger</u> | 60 |
| <u>Anticipated Accounting Treatment of the Merger</u> | 61 |
| <u>Material U.S. Federal Income Tax Consequences</u> | 61 |
| <u>Rights of Appraisal</u> | 63 |
| | |
| <u>THE MERGER AGREEMENT</u> | 66 |
| <u>The Merger</u> | 66 |
| <u>Effective Time of the Merger</u> | 66 |
| <u>Treatment of Common Stock</u> | 67 |
| <u>Treatment of Equity Based Awards</u> | 67 |
| <u>Appraisal Rights</u> | 67 |
| <u>Exchange Procedures</u> | 68 |
| <u>Representations and Warranties</u> | 69 |
| <u>Conduct of Business Pending the Merger</u> | 70 |
| <u>Change in Recommendation</u> | 71 |
| <u>Stockholder Meeting; Proxy Statement</u> | 71 |
| <u>Indemnification; Directors’ and Officers’ Insurance</u> | 71 |
| <u>Commercially Reasonable Efforts</u> | 72 |
| <u>Additional Covenants and Agreements</u> | 72 |
| <u>Conditions to Consummation of the Merger</u> | 73 |
| <u>Termination of the Merger Agreement</u> | 74 |

Table of Contents

| | |
|--|----|
| <u>Amendment</u> | 75 |
| <u>Waiver</u> | 75 |
| <u>Expenses</u> | 75 |
| <u>MARKET PRICE AND DIVIDEND INFORMATION</u> | 75 |
| <u>Dividend Policy</u> | 76 |
| <u>SELECTED FINANCIAL DATA</u> | 76 |
| <u>RATIO OF EARNINGS TO FIXED CHARGES</u> | 78 |
| <u>BOOK VALUE PER SHARE</u> | 78 |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u> | 78 |
| <u>SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS</u> | 79 |
| <u>DIRECTORS AND EXECUTIVE OFFICERS OF CARACO, SUN PHARMA, SUN GLOBAL AND MERGER SUB</u> | 81 |
| <u>CERTAIN PURCHASES AND SALES OF CARACO COMMON STOCK</u> | 89 |
| <u>OTHER MATTERS</u> | 89 |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u> | 90 |

Appendix A—Agreement and Plan of Merger, dated as of February 21, 2011, by and among Caraco Pharmaceutical Laboratories, Ltd., Sun Pharmaceutical Industries Limited, Sun Pharma Global, Inc. and Sun Laboratories, Inc.

Appendix B—Opinion of William Blair & Company, L.L.C.

Appendix C—Sections 761-774 of the Michigan Business Corporation Act

Appendix D—Form of Proxy Card

Table of Contents

SUMMARY TERM SHEET

This summary highlights the material information contained elsewhere in this proxy statement and the appendices. Because this is a summary, it may not contain all of the information that is important to you. We urge you to, and you should, read the entire proxy statement carefully, including the information included in the appendices.

The Participants (p. 19)

Caraco Pharmaceutical Laboratories, Ltd

Caraco Pharmaceutical Laboratories, Ltd., a Michigan corporation, which we refer to as “Caraco” or the “Company,” develops, markets and distributes generic pharmaceuticals to the nation’s largest wholesalers, distributors, drugstore chains and managed care providers.

The executive offices of Caraco are located at 1150 Elijah McCoy Drive, Detroit, Michigan 48202 and its telephone number is (313) 871-8400.

Sun Pharmaceutical Industries Limited

Sun Pharmaceutical Industries Limited, a corporation organized under the laws of India, which we refer to as “Sun Pharma,” is an international, integrated, specialty pharmaceutical company.

Sun Pharma was founded in 1983 and is led by its Chairman and Managing Director Dilip S. Shanghvi. Sun Pharma manufactures and markets a large basket of pharmaceutical formulations as branded generics as well as generics in India, the U.S. and several other markets across the world. In India, Sun Pharma is a leader in niche therapy areas such as psychiatry, neurology, cardiology, diabetology, gastroenterology, ophthalmology and orthopedics. Sun Pharma has strong skills in product development, process chemistry, and the manufacture of complex active pharmaceutical ingredients, as well as dosage forms.

The executive offices of Sun Pharma are located at 17/B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai 4000593 India and its telephone number is +1 91 22 66455645.

Sun Pharma Global, Inc.

Sun Pharma Global, Inc., a corporation organized under the laws of the British Virgin Islands, and a wholly-owned subsidiary of Sun Pharma, which we refer to as “Sun Global,” is engaged mainly in investment and finance activities.

The executive offices of Sun Global are located at c/o SuGandHManagement Consultancy, Woodstock Asia Pacific DMCC, Office No. 406, The Business Center, Opp Burjuman Centre, Mashreq Bank Bldg., Bank Street, P.O. Box 12850, Dubai, United Arab Emirates and its telephone number is +1 971 43597674.

Table of Contents

Sun Laboratories, Inc.

Sun Laboratories, Inc., a Michigan corporation and a wholly-owned indirect subsidiary of Sun Pharma, which we refer to as “Merger Sub,” was formed solely for the purpose of entering into the merger agreement and consummating the merger and has not engaged in any business except in furtherance of the merger.

The executive offices of Merger Sub are located at c/o Caraco, 1150 Elijah McCoy Drive, Detroit, Michigan 48202 and its telephone number is (313) 556-4141.

The Merger Agreement (p. 66)

Merger Sub will merge with and into Caraco, with Caraco continuing as the surviving corporation in the merger. After the merger, the surviving corporation will be a privately held company wholly owned by Sun Pharma and Sun Global, and Caraco’s stockholders (other than Sun Pharma and Sun Global) will no longer have any interest in, and will not participate in, any future earnings or growth of Caraco.

The proposed merger, assuming it is completed, will result in:

- Your right to receive \$5.25 per share in cash without interest and subject to applicable withholding taxes for each share of Caraco common stock, no par value (the “Common Stock”) that you own, unless you seek and perfect your appraisal rights, and the cancellation and retirement of each such share;
- The conversion of each share of common stock of Merger Sub into one share of common stock of the surviving corporation; and
- Sun Pharma and Sun Global together owning all of the outstanding common stock of the surviving corporation.

Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee (p. 33)

The independent committee (the “Independent Committee”) of Caraco’s board of directors (the “Board of Directors”) is comprised of Messrs. F. Folsom Bell, Timothy S. Manney and Eddie R. Munson. The Board of Directors determined that each of the members of the Independent Committee is independent under the rules of the NYSE Amex. From September 2000 to December 2005, Mr. Bell, a retired certified public accountant, was the Executive Vice-President, Business Development of Perrigo Company, a global healthcare supplier that develops, manufactures, and distributes over-the-counter and generic prescription pharmaceuticals, nutritional products, active pharmaceutical ingredients, and pharmaceutical and medical diagnostic products. Mr. Bell also served on the board of directors of Perrigo Company and served six years on its audit committee, including time as its chairman. While at Perrigo, Mr. Bell met Mr. Shanghvi. In 2006 and 2007, Mr. Bell performed consulting services from time to time as requested by Sun Pharma; for his services, he received \$3,214, including reimbursement of travel expenses. Mr. Bell was recommended to the Board of Directors by its Chairman, Mr. Shanghvi, and was appointed to the Board of Directors in September 2009 and elected by the stockholders in October 2009. Mr. Manney is a certified public accountant, and was formerly Chief Financial Officer of Covansys Corporation, and now is President of Synova, Inc. Mr. Manney was appointed to the Board of Directors in April 2004 and has served on Caraco’s audit committee since his appointment. Mr. Manney has been a member of the Independent Committee since joining the Board of Directors. In 2009, Mr. Manney served on a special committee of the Board of Directors (the “Special Committee”) comprised of himself, Dr. John D. Crissman, and Messrs. Georges Ugeux and Madhava Reddy that initially reviewed Caraco’s U.S. Food and Drug Administration (“FDA”) issues. Mr. Munson is a retired certified public accountant with over 30 years auditing experience at KPMG, LLP for private and public sector clients. His service at KPMG consisted of, among

other things, serving as a Managing Partner of the KPMG Detroit office, and also Partner in Charge of Assurance Services for KPMG's mid-America Business Unit, from January 1993 to September 2003. From July 1996 to September 2004, Mr. Munson served on the board of directors of KPMG; and from October 2003 until his retirement in September 2006, Mr. Munson was KPMG's National Partner in Charge of University Relations & Campus Recruiting. Mr. Munson was recommended to the Board of Directors by Mr. Reddy, and was appointed to the Board of Directors in September 2010. To date, the Independent Committee has accumulated \$112,500 in meeting fees related to their work in connection with the going private transaction proposal by Sun Pharma and Sun Global, and Mr. Bell has accumulated approximately \$70,000 in fees at his hourly rate of \$200 for services rendered to the Independent Committee other than attendance at meetings. The Independent Committee was originally established in 2002 to negotiate a products agreement with Sun Global and is generally responsible for reviewing and approving all related party transactions. The Independent Committee has had a number of different members since its formation.

Table of Contents

On February 21, 2011, the Independent Committee met and approved and adopted the merger agreement and the related transactions. The Independent Committee also determined that the proposed merger and the related transactions are fair to and in the best interests of Caraco's unaffiliated stockholders. Based on such determination, the Independent Committee is recommending that Caraco's unaffiliated stockholders vote FOR the approval and adoption of the merger agreement. In addition, the Independent Committee recommended to the Board of Directors that the Board of Directors approve and adopt the merger agreement and the related transactions.

At a special meeting of the Board of Directors held immediately following the meeting of the Independent Committee, the Board of Directors met and, based on the recommendation of the Independent Committee, approved and adopted the merger agreement and the related transactions. The members of the Board of Directors currently or formerly affiliated with Sun Pharma and Sun Global abstained from the vote because of the conflict of interest in voting on the transaction proposed by Sun Pharma and Sun Global. In connection therewith, because of such conflict of interest, the Board of Directors determined that it was unable to make a recommendation to stockholders with respect to the merger agreement and the related transactions.

In evaluating the fairness of the merger agreement and the related transactions, the Independent Committee considered, among other factors, the following, each of which the Independent Committee believes supports its determination as to fairness:

- **William Blair Opinion.** The Independent Committee considered the financial presentation of William Blair & Company, L.L.C. ("William Blair") and William Blair's opinion delivered to the Independent Committee (the "William Blair Opinion") to the effect that, as of February 21, 2011, and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the \$5.25 per share merger consideration is fair to Caraco's stockholders (other than Sun Pharma or any of its affiliates) from a financial point of view, as more fully described under "Proposal One—The Merger—Opinion of the Independent Committee's Financial Advisor" beginning on page 43. The full text of the William Blair Opinion which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by William Blair in rendering its opinion, is attached as Appendix B to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the William Blair Opinion carefully and in its entirety. The opinion was directed to the Independent Committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by Caraco's stockholders (other than Sun Pharma or any of its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

Table of Contents

- The additional factors described in detail under “Proposal One—The Merger—Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee,” beginning on page 33.

Position of the Sun Filing Persons as to the Fairness of the Merger (p. 36)

Under the rules of the Securities and Exchange Commission (the “SEC”), Sun Pharma, Sun Global, Merger Sub and Mr. Shangvi (collectively, the “Sun Filing Persons”) are required to provide certain information regarding their position as to the substantive and procedural fairness of the proposed merger to the unaffiliated stockholders of Caraco. The Sun Filing Persons did not undertake a formal evaluation of the fairness of the proposed merger and are making the statements included in this section solely for purposes of complying with such requirements. The views of the Sun Filing Persons with respect to the fairness of the merger are not, and should not be construed as, a recommendation to any stockholder as to how that stockholder should vote on the proposal to approve and adopt the merger agreement. Sun Pharma and Sun Global did not engage a financial advisor to provide it with financial advisory services with respect to the merger.

The Sun Filing Persons believe that the merger is substantively and procedurally fair to Caraco’s unaffiliated stockholders. See “Proposal One—The Merger—Position of the Sun Filing Persons as to the Fairness of the Merger” beginning on page 36, for a list of the factors upon which the Sun Filing Persons base this belief.

Opinion of the Independent Committee’s Financial Advisor (p. 43)

The Independent Committee received a financial presentation from William Blair and the William Blair Opinion to the effect that, as of February 21, 2011 and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the \$5.25 per share price is fair to Caraco’s stockholders (other than Sun Pharma or any of its affiliates) from a financial point of view, as more fully described under “Proposal One—The Merger—Opinion of the Independent Committee’s Financial Advisor” beginning on page 43. The full text of the William Blair Opinion which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by William Blair in rendering its opinion, is attached as Appendix B to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the William Blair Opinion carefully and in its entirety. The opinion was directed to the Independent Committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by Caraco’s stockholders (other than Sun Pharma or any of its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

Table of Contents

Purposes and Effects of the Merger (p. 41)

Caraco's Purpose

Caraco's decision to engage in the transaction at this time was driven by Caraco's current status relating to its FDA remediation issues and by the likelihood of continuing material operating losses for at least several years before Caraco's manufacturing operations can return to profitability. Caraco determined that the merger consideration of \$5.25 per share for Caraco's unaffiliated stockholders offered by Sun Pharma and Sun Global provided the most attractive alternative available to Caraco, and that it was reasonable to conclude that delaying a transaction with Sun Pharma and Sun Global would be very unlikely to result in any favorable alternatives and could result in a loss of the Sun Pharma and Sun Global opportunity in whole or an opportunity on less favorable terms.

Caraco has incurred and expects to continue to incur substantial operating costs and consulting fees in connection with remediating its FDA compliance issues and resuming its manufacturing operations. It will take significant time before Caraco will be able to reach its previous level of manufacturing in its facilities. Further, there is no assurance that the steps taken will be successful or result in resolution of the FDA compliance issues. With the expiration of Caraco's marketing and distribution agreements with Sun Pharma in January 2012, Caraco will lose its most significant source of revenue. Strategic alternatives to the merger are limited because Sun Pharma and Sun Global currently own approximately 75.8% of the outstanding shares of Common Stock, and Sun Pharma and Sun Global have stated on numerous occasions that they are not willing to sell any of the shares owned by them.

Purpose of the Sun Filing Persons

The Sun Filing Persons' purpose for engaging in the merger is to increase the ownership of Common Stock by Sun Pharma and Sun Global from the current position of approximately 75.8% of the outstanding shares to 100%. Upon completion of the merger, Caraco will become wholly owned by Sun Pharma and Sun Global. See "Proposal—The Merger—Purpose and Effects of the Merger—The Sun Filing Persons' Purpose of the Merger" beginning on page 41 for a discussion as to why Sun Pharma and Sun Global are pursuing the merger at this time.

Table of Contents

Effects of the Merger

As a result of the proposed merger, all shares of Common Stock, other than excluded shares, will be converted into the right to receive \$5.25 per share, without interest and subject to applicable withholding taxes, will be automatically canceled and retired, and will cease to exist.

In addition, the merger agreement provides that each option to purchase Common Stock (whether or not vested or exercisable) that is outstanding as of immediately prior to the effective time will be canceled in exchange for a per share amount in cash equal to the excess, if any, of \$5.25 over the per share exercise price of the option.

Each outstanding share of Common Stock that immediately prior to the effective time is subject to vesting restrictions will be forfeited without payment of consideration.

At the time the merger becomes effective, each share of common stock of Merger Sub that is issued and outstanding immediately prior to the effective time will be converted into one share of common stock of the surviving corporation.

Sun Pharma and Sun Global, as the owners of Caraco (the surviving corporation of the merger) and its business following the effective time, will be the only beneficiaries of any earnings and growth of Caraco following the proposed merger.

Upon completion of the proposed merger, Common Stock will no longer be traded on the NYSE Amex and will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." Following the merger, Common Stock will no longer be publicly traded.

Merger Financing (p. 53)

The total amount of funds required to complete the merger (excluding related fees and expenses) is estimated to be approximately \$51 million. Such funds will be funded by Sun Global and/or Sun Pharma from their resources existing at the time the merger is completed. The merger is not conditioned on any financing arrangements.

Interests of Caraco Directors and Officers in the Merger (p. 54)

In considering the recommendation of the Independent Committee with respect to the merger agreement, you should be aware that some of Caraco's directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of Caraco's unaffiliated stockholders generally. Such interests include the treatment of stock options held by such directors, as well as indemnification and insurance arrangements with officers and directors. The Independent Committee and the Board of Directors were aware of the different or additional interests set forth herein and considered such interests along with other matters in approving the proposed merger agreement and the related transactions.

Table of Contents

Material U.S. Federal Income Tax Consequences (p. 61)

The exchange of your Common Stock for cash pursuant to the merger will be a taxable event for U.S. federal income tax purposes. You will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash you receive and your adjusted tax basis in Common Stock you surrender pursuant to the merger. The U.S. federal income tax summary set forth above is for general information only. See “Material U.S. Federal Income Tax Consequences” on page 61. You should consult your tax advisor with respect to the particular tax consequences to you of the receipt of cash in exchange for Common Stock pursuant to the merger, including the applicability and effect of any state, local or foreign tax laws, and of changes in applicable tax laws.

Quorum; Required Vote (p. 17)

The presence at the special meeting, in person or by proxy, of the holders of a majority of all of the shares of Common Stock issued and outstanding as of the close of business on the record date and entitled to vote will constitute a quorum for the transaction of business at the special meeting. The holders of shares represented by proxies reflecting abstentions or broker non votes are considered present at the meeting and count toward a quorum. However, abstentions and broker non votes will have the effect of a vote against approval and adoption of the merger agreement.

Under Michigan law, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote is necessary to approve and adopt the merger agreement. As of the record date, there were 40,179,194 outstanding shares of Common Stock. Each outstanding share of Common Stock is entitled to one vote. As of the record date, Sun Pharma and Sun Global collectively are entitled to vote approximately 75.8% of the outstanding shares of Common Stock. Sun Pharma and Sun Global have agreed to vote their shares of Common Stock in favor of the merger agreement and have provided the members of the Independent Committee with irrevocable proxies to vote their shares in favor of the merger agreement.

Rights of Appraisal (p. 63)

Caraco stockholders who do not vote in favor of the merger agreement and who perfect their appraisal rights under Michigan law will have the right to a judicial appraisal of the fair value of their shares of Common Stock. This entitlement is not automatic under Michigan law and is the result of negotiation by the Independent Committee on behalf of Caraco’s unaffiliated stockholders. In addition to not voting in favor of the merger, the stockholder must deliver to Caraco, prior to the vote on the merger agreement, written notice of his intent to demand payment for his shares if the merger is effectuated.

Conditions to Consummation of the Merger (p. 73)

The obligations of Sun Pharma, Sun Global, Merger Sub and Caraco to complete the merger are subject to various conditions, including:

- Approval and adoption of the merger agreement by the requisite vote of Caraco’s stockholders in accordance with applicable law;

Table of Contents

- The absence of any order, decree, ruling, law or other action that makes illegal or otherwise prohibits or restrains the merger;
 - The material accuracy of the representations and warranties of the parties to the merger agreement; and
- The material performance by the parties to the merger agreement of their respective agreements and covenants contained in the merger agreement.

Termination of the Merger Agreement (p. 74)

The merger agreement may be terminated for any reason prior to the effective time of the merger by the mutual written consent of Sun Pharma, Sun Global, Merger Sub and Caraco. Either (a) Sun Pharma and Sun Global or (b) Caraco (with respect to Caraco, only pursuant to a resolution adopted by the Independent Committee) may terminate the merger agreement prior to the effective time of the merger:

- If the merger is not consummated on or prior to 5 p.m. New York City time on September 30, 2011; or
- If any court of competent jurisdiction or U.S. or Indian federal or state governmental or regulatory authority issues a final and nonappealable order, decree, ruling or law that makes illegal or otherwise prohibits or restrains the merger.

In addition, Sun Pharma and Sun Global may terminate the merger agreement prior to the effective time of the merger:

- If the Independent Committee withdraws or modifies its recommendation to Caraco's unaffiliated stockholders in a manner adverse to Sun Pharma, Sun Global or Merger Sub; or
- Under specific circumstances relating to a breach of any representation, warranty, covenant or agreement made by Caraco in the merger agreement which renders certain conditions to the consummation of the merger incapable of being satisfied.

In addition, Caraco (only pursuant to a resolution adopted by the Independent Committee) may terminate the merger agreement prior to the effective time of the merger under specific circumstances relating to a breach of any representation, warranty, covenant or agreement made by Sun Pharma, Sun Global or Merger Sub in the merger agreement which renders certain conditions to the consummation of the merger incapable of being satisfied.

Change in Recommendation (p. 71)

The merger agreement also provides that the Independent Committee will not withhold, withdraw, qualify or modify, in a manner adverse to Sun Pharma, Sun Global or Merger Sub, its recommendation that Caraco's unaffiliated stockholders vote to approve and adopt the merger agreement, except to the extent the Independent Committee determines in good faith prior to the time at which the stockholders of Caraco approve and adopt the merger agreement, but after consultation with its outside counsel, that such action is necessary in order for the directors on the Independent Committee to comply with their fiduciary obligations under applicable law. Under certain circumstances, Caraco must give Sun Pharma five (5) business days' prior notice of the Independent Committee's intention to take such action.

Table of Contents

Regulatory Requirements (p.59)

No federal or state regulatory requirements must be complied with, or approval obtained, in connection with the merger. Notice of the merger, however, was provided by Caraco to the FDA pursuant to the Consent Decree that Caraco entered into with the FDA in September 2009 (the "Consent Decree").

Litigation Challenging the Merger (p. 60)

Eight putative class action lawsuits were filed in Michigan against Sun Pharma, Sun Global, Caraco and the Board of Directors. These lawsuits allege, among other things, a breach of fiduciary duty in connection with the proposal by Sun Pharma and Sun Global to acquire all of the outstanding shares of Caraco from the unaffiliated stockholders. One of the class actions was voluntarily dismissed. The remaining lawsuits have been consolidated and a lead plaintiff selected. One of the purported class representatives has challenged that selection.

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

We intend the following questions and answers to provide brief answers to frequently asked questions concerning the proposed merger. These questions and answers do not, and are not intended to, address all the questions that may be important to you as a Caraco stockholder. You should read the remainder of this proxy statement carefully, including the information incorporated by reference and all of the appendices.

Q: Why am I receiving these materials?

A: The Board of Directors is providing these proxy materials to give you information for use in determining how to vote on the merger agreement in connection with the special meeting.

Q: What is the date, time and place of the special meeting?

A: The special meeting of stockholders will be held at _____
_____ on _____, 2011 at 10:00 a.m., local time.

Q: What am I being asked to vote on?

A: You are being asked to vote to approve and adopt the merger agreement pursuant to which Merger Sub, an indirect subsidiary of Sun Pharma, will merge with and into Caraco, with Caraco continuing as the surviving corporation in the merger and Sun Pharma and Sun Global holding 100% of Caraco's outstanding capital stock.

Table of Contents

Q: Who is entitled to vote at the special meeting?

A: All holders of Common Stock as of the close of business on _____, 2011, which we refer to as the “record date,” will be entitled to notice of the special meeting. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the special meeting.

Q: How many votes are required to approve and adopt the merger agreement?

A: Each outstanding share of Common Stock is entitled to one vote. Under Michigan law, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote is necessary to approve and adopt the merger agreement. As of _____, 2011, the record date, there were 40,179,194 shares of Common Stock outstanding. As of the record date, our directors and executive officers had the right to vote (excluding any shares owned by Sun Pharma and Sun Global), 28,813 shares of our Common Stock. Sun Pharma and Sun Global have agreed to vote their shares of Common Stock in favor of the merger agreement and have provided the members of the Independent Committee with irrevocable proxies to vote their shares in favor of the merger agreement. As of the record date, Sun Pharma and Sun Global held an aggregate of 30,468,680 shares of our Common Stock, representing approximately 75.8% of the outstanding shares of Common Stock.

Q: What will I receive in the merger?

A: You will be entitled to receive \$5.25 per share in cash, without interest and subject to applicable withholding taxes, for each share of Common Stock that you own, unless you seek and perfect appraisal rights. If you seek appraisal rights and properly perfect your rights under the Michigan Business Corporation Act, the “fair value” of your Common Stock that you will receive in cash as a result of the appraisal proceeding may be less than, more than or equal to the value of the merger consideration to be issued in the merger.

Q: What is the role of the Independent Committee?

A: The Board of Directors appointed the Independent Committee, comprised of independent directors under NYSE Amex regulations, to consider and negotiate a potential transaction with Sun Pharma and Sun Global and to recommend to the Board of Directors whether a transaction with Sun Pharma and Sun Global was fair to and in the best interests of Caraco’s unaffiliated stockholders, with the discretion to reject any transaction proposed by Sun Pharma and Sun Global.

Q: What was the recommendation of the Independent Committee?

A: The Independent Committee has unanimously approved and adopted the merger agreement and the related transactions, determined that the merger agreement and the related transactions are fair to and in the best interests of Caraco’s unaffiliated stockholders and has recommended that the Board of Directors approve and adopt the merger agreement and related transactions. In arriving at its conclusion, the Independent Committee considered, among other factors, the William Blair Opinion, to the effect that as of February 21, 2011, and subject to the various assumptions, qualifications and limitations set forth in such opinion, the per share merger consideration to be paid to Caraco’s stockholders (other than Sun Pharma or any of its affiliates) in the merger is fair to those stockholders from a financial point of view. The full text of the William Blair Opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by William Blair in rendering its opinion, is attached as Appendix B to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the William Blair Opinion carefully and in its entirety. The William Blair Opinion was directed to the Independent Committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by Caraco’s stockholders (other

than Sun Pharma or any of its affiliates). The William Blair Opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement. See “Proposal One - The Merger - Opinion of the Independent Committee’s Financial Advisor” beginning on page 43.

Table of Contents

To review the background and reasons for the merger in greater detail, see “Proposal One - The Merger - Background of the Merger” beginning on page 20 and “Proposal One - The Merger - Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendations by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee” beginning on page 33.

Q: What is the recommendation of the Board of Directors to the holders of Common Stock?

A: At a special meeting of the Board of Directors held immediately following the meeting of the Independent Committee, the Board of Directors met and, based on the recommendation of the Independent Committee, approved and adopted the merger agreement and the related transactions. The members of the Board of Directors currently or formerly affiliated with Sun Pharma and Sun Global abstained from the vote because of the conflict of interest in voting on the transaction proposed by Sun Pharma and Sun Global. Because of this conflict of interest, the Board of Directors determined that it was unable to make a recommendation to stockholders with respect to the merger agreement and the related transactions.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. If the merger agreement is approved and adopted and the other conditions to the merger are satisfied, we expect to complete the merger shortly after the special meeting.

Q: Can you still sell your shares of Common Stock?

A: Yes. The Common Stock is currently quoted on NYSE Amex under the symbol “CPD.”

Q: What happens if I sell my shares of Common Stock before the special meeting?

A: The record date for the special meeting is earlier than the expected date of the merger. If you transfer your shares of Common Stock after the record date but before the special meeting, you will retain your right to vote at the special meeting but will transfer the right to receive \$5.25 in cash per share to the person to whom you transfer your shares.

Table of Contents

Q: What do I need to do now?

A: You should read this proxy statement carefully, including the information incorporated by reference and all of the appendices, and consider how the merger would affect you. Please complete, sign, date and mail your proxy card in the enclosed postage prepaid envelope as soon as possible so that your shares may be represented at the special meeting.

Q: Should I send in my stock certificate now?

A: No. After the merger is completed, we will send you a transmittal form and written instructions for exchanging your stock certificates.

Q: How do I submit a proxy?

A: You can submit a proxy by completing, signing, dating and mailing your proxy card in the enclosed postage prepaid envelope. See the enclosed proxy card for specific instructions. You may also vote in person if you attend the special meeting. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy from the institution that holds their shares. If you sign, date and return your proxy card without indicating how you want to vote, and do not revoke the proxy, your proxy will be counted as a vote FOR approval and adoption of the merger agreement and you will lose your appraisal rights.

Q: Can I attend the special meeting?

A: If you owned shares of Common Stock on the record date, _____, 2011, you are permitted to attend the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, your name will be verified against the list of stockholders of record on the record date prior to your being admitted to the special meeting. If you are not a stockholder of record and your shares of Common Stock are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of such shares on the record date.

Q: If my shares are held in "street name," will my bank, broker or other nominee vote my shares for me?

A: Brokers and, in many cases, nominees will not have discretionary power to vote on the merger. Your broker or nominee will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or nominee regarding how to instruct your broker or nominee to vote your shares.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote by submitting to the Secretary of Caraco a written revocation or a later dated, signed proxy card before the special meeting or by attending the special meeting and voting in person.

Table of Contents

Q: What happens if I do not send in my proxy or if I abstain from voting?

A: If you do not send in a proxy or if you abstain from voting, such action will have the effect of a vote AGAINST approving and adopting the merger agreement.

Q: What are the consequences of the merger to present officers and the Board of Directors?

A: Immediately following the merger, it is expected that Caraco's existing officers will continue as officers of the surviving corporation. The directors of Merger Sub at the effective time of the merger will be the initial directors of Caraco, as the surviving corporation. Like other stockholders, officers and members of the Board of Directors will be entitled to receive \$5.25 in cash for each of their shares of Common Stock.

For more information, including information regarding officers' and directors' interests in the merger, see "Proposal One—The Merger—Interests of Caraco Directors and Officers in the Merger" beginning on page 54.

Q: What rights do I have to seek appraisal of my shares?

A: Caraco's stockholders (other than Sun Pharma and Sun Global) are entitled to exercise appraisal rights in connection with the merger. This entitlement is not automatic under Michigan law and is the result of negotiation by the Independent Committee on behalf of Caraco's unaffiliated stockholders. If you do not vote in favor of the merger and it is completed, you may seek payment of the fair value of your shares under Michigan law. To do so, you must strictly comply with all of the required procedures under Michigan law. See "Proposal One - The Merger - Rights of Appraisal" beginning on page 63.

Q: Will a proxy solicitor be used?

A: No. Caraco will solicit proxies primarily by mail, but may also solicit proxies personally and by telephone.

Q: Who can help answer my questions?

A: The information provided above in the question and answer format is for your convenience only and is merely a summary of some of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the information incorporated by reference and all of the appendices. If you have any questions about the merger, need assistance in voting your shares or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact Caraco at:

Table of Contents

Caraco Pharmaceutical Laboratories, Ltd.

1150 Elijah McCoy Drive

Detroit, Michigan 48202

(313) 871-8400

Attn: Investor Relations

14

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION

This proxy statement contains or incorporates by reference certain forward-looking statements and information relating to Caraco that are based on the beliefs of management as well as assumptions made by and information currently available to Caraco. When used in this document, the words “anticipate,” “believe,” “estimate,” “project,” “expect,” “plan” “in” “should” or “will” and similar expressions, as they relate to Caraco or its management are intended to identify forward-looking statements. Such statements reflect the current view of Caraco with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Caraco to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, the matters discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Caraco’s most recent quarterly or annual report filed with the SEC, as well as factors relating to the proposed merger, including (i) the effect of the announcement of the merger on our client and customer relationships, operating results and business generally and (ii) the outcome of any legal proceedings that have been or may be instituted against Caraco and others relating to the merger agreement.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, projected, expected, planned or intended. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement, or in the case of documents incorporated by reference, as of the date of those documents. Caraco does not intend, or assume any obligation, to update these forward-looking statements.

Table of Contents

THE SPECIAL MEETING

Time and Place of the Special Meeting

This proxy statement is furnished, and the accompanying proxy is solicited, on behalf of the Board of Directors, for use at the special meeting of Caraco stockholders to be held at

_____ on _____, 2011, at 10:00 a.m., local time, and at any adjournment or postponement thereof. The proxy statement and the accompanying proxy will be mailed on or about _____, 2011 to all Caraco stockholders as of the record date.

Matters to be Considered

At the special meeting, holders of Common Stock will be asked to:

- 1) Consider and vote upon a proposal to approve and adopt the merger agreement, which, if the merger is completed, would result in each share of Common Stock converting into the right to receive \$5.25 in cash, without interest and subject to any applicable withholding taxes, except for:
 - shares of Common Stock owned by Sun Pharma and Sun Global; Sun Pharma's shares will remain outstanding and Sun Global's shares shall be converted into and become that number of shares of common stock of the surviving corporation (Caraco) equal to the number of shares of Common Stock owned by Sun Global immediately prior to the effective time plus the number of shares of Common Stock equal to the number of shares of Common Stock held by Caraco's unaffiliated stockholders immediately prior to the effective time; and
 - shares of Common Stock held by stockholders who validly exercise and perfect appraisal rights in accordance with Michigan law.
- 2) Transact any other business that may properly come before the special meeting or any adjournment or postponement of the special meeting.

The Independent Committee (1) has approved and adopted the merger agreement and the related transactions; (2) has determined that the merger agreement and the related transactions are fair to and in the best interests of Caraco's unaffiliated stockholders; (3) has recommended to the Board of Directors that it approve and adopt the merger agreement; and (4) recommends that Caraco's stockholders vote FOR the approval and adoption of the merger agreement.

Record Date; Voting Rights

Caraco has fixed _____, 2011 as the record date. Only stockholders of record as of the close of business on the record date are entitled to notice of the special meeting. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the special meeting. As of the close of business on the record date, there were 40,179,194 issued and outstanding shares of Common Stock. Each share of Common Stock is entitled to one vote on all matters to be considered at the special meeting. The Common Stock is currently quoted on the NYSE Amex under the symbol "CPD."

Table of Contents

Quorum

The presence at the special meeting, in person or by proxy, of the holders of a majority of all of the shares of Common Stock issued and outstanding as of the close of business on the record date and entitled to vote will constitute a quorum for the transaction of business at the special meeting. The holders of shares represented by proxies reflecting abstentions or broker non votes are considered present at the meeting and count toward a quorum. However, abstentions and broker non votes will have the effect of a vote against approval and adoption of the merger agreement.

If a quorum is not present, the chairman of the meeting or a majority of the shares present at the meeting, either in person or by proxy, may adjourn the meeting to another time and place, and notice need not be given of the new time and place if the new time and place are announced at the meeting before an adjournment is taken. Even if a quorum is present, a majority of the shares present at the meeting, either in person or by proxy, may adjourn the meeting to another time and place, and notice need not be given of the new time and place if the new time and place are announced at the meeting before an adjournment is taken. However, if any adjournment is for more than 30 days, or if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting must be given to each stockholder of record.

Required Vote

Under Michigan law, approval and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock. A properly executed proxy marked "ABSTAIN" with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a vote against the approval and adoption of the merger agreement.

For shares held in "street name" through a broker or other nominee, the broker or nominee will not be permitted to exercise voting discretion with respect to the approval and adoption of the merger agreement. If the broker or nominee is not given specific instructions, the shares will not be voted. Shares represented by such "broker non-votes" will, however, be counted in determining whether there is a quorum.

All votes will be tabulated by the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

As of the record date, Sun Pharma and Sun Global are entitled to vote approximately 75.8% of the outstanding shares of Common Stock. Sun Pharma and Sun Global have agreed to vote their shares of Common Stock in favor of the merger agreement and the related transactions and have provided the members of the Independent Committee with irrevocable proxies to vote their shares in favor of the merger agreement.

Table of Contents

Proxies; Revocation

Even after Caraco stockholders have submitted their proxy cards, they may change their vote at any time before the proxy is exercised by filing with the Caraco Secretary at Caraco's executive offices located at 1150 Elijah McCoy Drive, Detroit, MI 48202, either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if the stockholder attends the meeting in person and so requests, although attendance at the meeting will not by itself revoke a previously granted proxy.

Solicitation of Proxies

Caraco will pay the cost of preparing, assembling and mailing the proxy statement, notice of meeting and enclosed proxy card. In addition to the use of mail, Caraco employees may solicit proxies personally and by telephone. Caraco employees will receive no compensation for soliciting proxies other than their regular salaries. Caraco may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to the beneficial owners of Common Stock and to request authority for the execution of proxies, and Caraco may reimburse such persons for their expenses incurred in connection with these activities.

Appraisal Rights

Stockholders who do not vote in favor of approval of the merger agreement and who comply with the procedures for perfecting appraisal rights under the applicable statutory provisions of Michigan law summarized elsewhere in this proxy statement may demand payment of the "fair value" of their shares in cash in connection with the consummation of the merger. See "Proposal One—The Merger—Rights of Appraisal" beginning on page 63.

Table of Contents

THE PARTICIPANTS

Caraco Pharmaceutical Laboratories, Ltd.

Caraco develops, markets and distributes generic pharmaceuticals to the nation's largest wholesalers, distributors, drugstore chains and managed care providers throughout the U.S. and Puerto Rico. Caraco's present product portfolio includes 52 prescription products, in 117 strengths, in various package sizes. This represents products Caraco distributes for Sun Pharma and its affiliates, as well as Caraco-owned products (those products for which Caraco owns the Abbreviated New Drug Applications ("ANDAs")) manufactured by Sun Pharma or other third parties. The products are intended to treat a variety of disorders including but not limited to the following: hypertension, arthritis, epilepsy, diabetes, depression and pain management.

The executive offices of Caraco are located at 1150 Elijah McCoy Drive, Detroit, Michigan, 48202 and its telephone number is (313) 871-8400.

If the merger agreement is approved and adopted by the Caraco stockholders at the special meeting and the merger is completed as contemplated, Caraco will survive the merger and will continue its operations as a private company, owned by Sun Pharma and Sun Global.

For additional information about Caraco, see "Where You Can Find More Information" beginning on page 90.

Sun Pharmaceutical Industries Limited

Sun Pharma is an international, integrated, specialty pharmaceutical company.

Sun Pharma was founded in 1983 and is led by its Chairman and Managing Director Dilip S. Shanghvi. Sun Pharma manufactures and markets a large basket of pharmaceutical formulations as branded generics as well as generics in India, the U.S. and several other markets across the world. In India, Sun Pharma is a leader in niche therapy areas such as psychiatry, neurology, cardiology, diabetology, gastroenterology, ophthalmology and orthopedics. Sun Pharma has strong skills in product development, process chemistry, and the manufacture of complex active pharmaceutical ingredients, as well as dosage forms.

The executive offices of Sun Pharma are located at 17/B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai 4000593 India and its telephone number is +1 91 22 66455645.

Sun Pharma Global, Inc.

Sun Global is engaged mainly in investment and finance activities.

The executive offices of Sun Global are located at c/o SuGandHManagement Consultancy, Woodstock Asia Pacific DMCC, Office No. 406, The Business Center, Opp Burjuman Centre, Mashreq Bank Bldg., Bank Street, P.O. Box 12850, Dubai, United Arab Emirates and its telephone number is +1 971 43597674.

Table of Contents

Sun Laboratories, Inc

Merger Sub was formed solely for the purpose of entering into the merger agreement and consummating the merger and has not engaged in any business except in furtherance of the merger.

The executive offices of Merger Sub are located at c/o Caraco, 1150 Elijah McCoy Drive, Detroit, Michigan 48202 and its telephone number is (313) 556-4141.

PROPOSAL ONE - THE MERGER

General

The merger agreement provides that, subject to certain conditions, Merger Sub will merge with Caraco, with Caraco continuing as the surviving corporation in the merger. A copy of the merger agreement is attached as Appendix A to this proxy statement. You are urged to, and you should, read the merger agreement in its entirety because it is the legal document governing the merger.

Background of the Merger

Historical Relationship Between Sun Pharma, Sun Global and Caraco

In March 1996, Caraco and Sun Pharma announced an agreement to produce and market Sun Pharma's generic anti-convulsant drug in the U.S. Caraco and Sun Pharma shared research and development and registration efforts, and Caraco filed an ANDA registration with the FDA for that drug early in 1997.

In August 1997, Sun Pharma made an initial investment of \$7.5 million in Caraco by purchasing 5.3 million shares of Common Stock (approximately 40.3% of the then outstanding shares). Prior to the investment, Caraco had disclosed that if an agreement was not reached with Sun Pharma, Caraco could commence bankruptcy proceedings under Chapter 7 of the Federal Bankruptcy Code of 1978, as amended.

Also in August 1997, a products agreement between Caraco and Sun Pharma went into effect. Under the agreement, Sun Pharma was required to transfer to Caraco the technology formula for 25 mutually agreed upon generic pharmaceutical products over a period of five years through August 2002. Caraco exchanged 544,000 shares of its Common Stock for each such technology transfer of an ANDA product (when bio-equivalency studies were successfully completed) and 181,333 shares for each technology transfer of a Drug Efficacy Study Implementation (DESI) product. Under the terms of this agreement, Caraco conducted, at its expense, all tests including bio-equivalency studies. Sun Pharma ultimately delivered 13 (11 ANDA and 2 DESI products) out of a possible 25 products to Caraco under this agreement and received 6,346,666 shares of Common Stock, some of which were assigned to affiliates of Sun Pharma. This agreement was extended and then ultimately terminated prior to Caraco's entry into a new products agreement with Sun Global on November 21, 2002.

Table of Contents

At the time of Sun Pharma's initial investment, a voting agreement among Caraco, Sun Pharma and two significant stockholders also became effective. It terminated in 2001. The voting agreement provided, among other things, that Sun Pharma may designate a majority of the directors of the Board of Directors and its then executive committee. In connection with Sun Pharma's acquisition of the shares and the entry into the voting agreement, the bylaws of Caraco were amended and restated. Among other things, the bylaws were amended and restated to require a two-thirds (2/3rds) vote of the entire Board of Directors to approve: (i) the sale or disposition of all or substantially all of the assets of Caraco; (ii) the liquidation, winding up or dissolution of Caraco; (iii) the issuance of or receipt of subscription for any Common Stock to Sun Pharma and/or its affiliates; and (iv) the amendment of Caraco's articles and bylaws. The voting agreement also provided that if the two stockholders determined to sell their shares within three years from the termination of the voting agreement, they would first offer their shares to Sun Pharma.

From October 1998 to the first quarter of 2002, Sun Pharma and Sun Global made loans to Caraco aggregating approximately \$12 million. Sun Pharma also has assisted Caraco by acting as guarantor, in obtaining line of credit loans for Caraco from ICICI Bank Limited and The Bank of Nova Scotia in the amount of \$5.0 million in May 2000 and \$10 million in March 2002, respectively. All of such loans have been repaid in full.

Under the products agreement with Sun Global dated November 21, 2002, which was negotiated and approved by the Independent Committee, Sun Global agreed to provide Caraco with 25 mutually agreed upon generic drugs over a five-year period. Caraco's marketing rights to the products were limited to the U.S. and its territories or possessions, including Puerto Rico. Sun Global retained rights to the products in all other territories. Under this agreement, Caraco conducted, at its expense, all tests including bio-equivalency studies. Caraco was also obligated to market the products consistent with its customary practices and to provide marketing personnel. Sun Global received 544,000 shares of Caraco preferred stock for each generic drug transferred, after such drug passed its bio-equivalency studies. The preferred shares were non-voting, did not receive dividends and were convertible into common shares after three years (or immediately upon a change in control) on a one-to-one basis.

During January and February 2004, Sun Pharma acquired 3,452,291 additional shares of common stock for \$9.00 per share and paid \$11,744,964 for options to purchase an aggregate of 1,679,066 shares of common stock with exercise prices which ranged from \$.68 to \$3.50, from two former directors and a significant stockholder. Sun Pharma exercised all 1,679,066 options during the fourth quarter of 2004.

In 2004, the Sun Global products agreement was amended by Sun Global and the Independent Committee (on behalf of Caraco) to eliminate the provision requiring that the Independent Committee concur in the selection of each product, and to provide instead that each product satisfy certain objective criteria developed by management and approved by the Independent Committee. Pursuant to such objective criteria, 25 products were selected. All of the 25 products were transferred and passed their bio-equivalency studies. Accordingly, Sun Global received 13,600,000 shares of Caraco preferred stock which have been converted into 13,600,000 shares of Caraco common stock.

Sun Pharma and its affiliates supply Caraco with raw materials and formulations. For fiscal 2010 and 2009, Caraco made net purchases from Sun Pharma and its affiliates of \$8.4 million and \$241.7 million, respectively, for raw materials and formulations. In addition, Sun Pharma and its affiliates supply Caraco with machinery and equipment at their cost. For fiscal 2010 and 2009, Caraco acquired \$8,000 and \$46,000, respectively, of machinery and equipment from Sun Pharma and its affiliates. For fiscal 2010, Caraco sold \$200,000 of equipment to Sun Pharma and its affiliates.

Table of Contents

Caraco has also obtained technical and scientific services, including bioequivalency studies, from the Clinical Research Organization (CRO) division of Sun Pharma. The products on which Caraco works with Sun Pharma are decided on a case by case basis as mutually agreed upon by both companies. During fiscal 2010 and 2009, Caraco paid \$1.5 million and \$300,000, respectively, for such services. Additionally, Sun Pharma has provided Caraco with a number of technical professionals who now work as Caraco employees.

In December 2004 and in January 2005, a Sun Pharma affiliate appointed Caraco to act as a manufacturer and distributor of two of its products. Of these two products, only one was still being marketed when Caraco ceased manufacturing operations at its Michigan facilities following actions taken by the FDA. For more information, see “Events Leading Up to the Merger Proposal and the Work of the Independent Committee” beginning on page 23.

During the year ended March 31, 2007, Caraco entered into a three-year marketing agreement with Sun Pharma, which was reviewed and approved by the Independent Committee. Under the agreement, Caraco purchases selected product formulations offered by Sun Pharma and is licensed to market and distribute the same as part of the current product offerings in the U.S., its territories and possessions, including Puerto Rico. Although Sun Pharma is not obligated to offer Caraco products under this agreement, Caraco does have the exclusive right to market in the U.S., its territories and possessions, including Puerto Rico, any products offered by Sun Pharma and accepted by Caraco.

During the year ended March 31, 2008, Caraco entered into a three-year distribution and sale agreement with Sun Pharma, which was reviewed and approved by the Independent Committee. Under this agreement Sun Pharma offers Caraco selected formulations which have been filed under Paragraph IV certification process with the FDA for distribution, which Caraco has the option of distributing. Although Sun Pharma is not obligated to offer Caraco products under this agreement, Caraco has the exclusive right to market in the U.S., its territories and possessions, including Puerto Rico, any products offered by Sun Pharma and accepted by Caraco. Caraco markets and distributes the same as part of its current product offerings in the U.S., its territories and possessions, including Puerto Rico. The license granted with respect to a product terminates upon the end of 180-day exclusivity, or non-appealable positive court decision or until the time a third generic manufacturer launches the product, whichever is later or upon the time a settlement is completed. At such time, the product will become part of the standard Caraco-Sun Pharma marketing agreement discussed above.

The marketing agreement was renewed for a period of one year to January 19, 2011. The initial term of the distribution and sale agreement was set to expire on January 29, 2011. Caraco and the Independent Committee approached Sun Pharma and attempted to negotiate a long term renewal for both of the agreements; however, Sun Pharma exercised its rights and only agreed to extend the agreements to January 28, 2012, at which time the agreements will expire. During the first six months of calendar 2011, Caraco and Sun Pharma will discuss a plan to transition the marketing of the products covered by the agreements to Sun Pharma and/or its wholly-owned affiliates. Thereafter, if the parties have reached an understanding with respect to the transition plan, the parties will implement the transition plan so that upon expiration of the agreements Sun Pharma and its affiliates will commence marketing of the products. Even if the parties have not agreed on a transition plan prior to January 28, 2012, the agreements will expire on that date.

Table of Contents

Net sales from products selected under the marketing and distribution agreements for fiscal 2010 and fiscal 2009, were \$211.4 million and \$225.4 million, respectively.

Sun Pharma also manufactures certain Caraco products. In addition, Caraco has transferred, with the approval of the Independent Committee, certain Caraco-owned products to manufacturing sites of Sun Pharma and its affiliates that would allow Caraco to realize revenues from those products. Caraco has filed with the FDA supplements to ANDAs, for its approval, for these transferred products. There is no assurance that such approvals will be granted.

On July 10, 2009, Caraco entered into an agreement with Alkaloida Chemical Company ZRT ("Alkaloida"), a direct Hungarian subsidiary of Sun Pharma, pursuant to which Alkaloida is to provide, with respect to certain products and others agreed upon by the parties, an exclusive, non-transferable license to Caraco to manufacture and market the products in the U.S., its territories and possessions, including Puerto Rico. The agreement was approved by Caraco's Independent Committee. No technology for any product has been transferred under this agreement to date. Under the agreement, Caraco is obligated, among other things, to perform all bioequivalency studies and complete and submit ANDAs to the FDA. Any license for a product would be for a period of five years from the commencement of marketing of the product, and Caraco may extend the license for a further five year period. The agreement terminates five years from the date of approval of the first ANDA, unless renewed or extended for consecutive one year periods.

Caraco filed two ANDAs relating to two products with the FDA during the first nine months of Fiscal 2011. These products were developed in partnership with other product development and manufacturing companies, one of which is an affiliate.

Events Leading Up to the Merger Proposal and the Work of the Independent Committee

On June 25, 2009, U.S. Marshals, at the request of the FDA, seized drug products manufactured in Caraco's Michigan facilities. The seizure also included raw materials held at these same facilities as well as work in process. Products distributed by Caraco that were manufactured outside of these facilities were not impacted. In its complaint relating to its seizure, the FDA stated, among other things, that an inspection completed on May 12, 2009 of Caraco's facilities and Caraco's written response thereto revealed continuing significant current Good Manufacturing Practices ("cGMP") violations. The FDA also stated that the drug products were adulterated in that the methods used in, and the facilities and controls used for, their manufacture, processing, packing, and/or holding did not conform to and were not operated and administered in conformity with cGMP requirements. As a result of the FDA action, Caraco voluntarily ceased manufacturing operations and instituted an indefinite reduction in its workforce of approximately 430 employees in two phases.

On June 27, 2009, after the seizure, the Board of Directors met to address the recent FDA events. Mr. Ugeux, on behalf of the four independent directors, including himself and Dr. Crissman, and Messrs. Manney and Reddy, stated that the independent directors desired to form a special committee of the board to oversee the FDA issues. The Board of Directors created a special committee comprised of the four independent directors (the "Special Committee"), but was unable to determine the scope of the Special Committee's duties and authority and the Board of Directors concluded to revisit the issue at a later meeting. On July 30, 2009, Dr. Crissman notified the Board of Directors that he had decided not to stand for re-election to the Board of Directors at its annual meeting of September 14, 2009.

Table of Contents

In early August, the Special Committee interviewed candidates to serve as legal counsel to the committee. The committee met later that month with Caraco's outside auditors and met with Caraco's FDA legal counsel and consultants. Also in August, Mr. Ugeux met with Mr. Shanghvi to discuss the FDA and other issues relating to Caraco, including a possible going private transaction.

On August 27, 2009, Caraco received a demand from a minority stockholder to bring suit against the Caraco's officers and directors arising from the FDA issues. On September 9, 2009, the Board of Directors met to consider the appointment of Mr. Bell to fill the vacancy to be created as a result of Dr. Crissman's decision not to stand for re-election and to consider the stockholder demand letter. Caraco's outside corporate legal counsel explained to the Board of Directors the process and impact under Michigan law of having a disinterested independent director investigate and make a determination regarding whether a derivative proceeding should proceed. Counsel noted that none of the existing directors met the Michigan standard of "independent" or "disinterested" director, but that Mr. Bell, whose resumé had been submitted to the Board of Directors for consideration as a director, was disinterested, and could be found to be independent by the Board of Directors as having met the statutory qualifications necessary to be independent, assuming his election by a vote of stockholders. The Board of Directors appointed Mr. Bell as a director effective following the September 14, 2009 annual meeting of stockholders. Contemplating that Mr. Bell would be elected at a special meeting of stockholders and would thereafter conduct an independent investigation related to Caraco's FDA issues, the Board of Directors resolved to terminate the Special Committee. Messrs. Ugeux, Dr. Crissman and Mr. Manney voted against termination of the Special Committee.

On September 20, 2009, Mr. Ugeux resigned from the Board of Directors, citing his "fundamental disagreements with the majority shareholder, Sun Pharmaceutical Industries Ltd. and senior management of Caraco Pharmaceutical Laboratories, Ltd. (the "Company") over issues of corporate governance and the fiduciary role of independent directors..." On September 21, 2009, the Board of Directors named Messrs. Manney, Reddy and Bell as members of the Independent Committee which acts on behalf of the Board of Directors in considering any transactions between Caraco and Sun Pharma and its affiliates, with Mr. Bell as chairman.

In October 2009, after Mr. Bell was elected a director by stockholders at a special meeting of stockholders, the Board found, with advice of counsel, Mr. Bell to be an "independent disinterested director" under Michigan law, and further designated him as Caraco's special litigation committee for the purpose of investigating and making a recommendation concerning the allegations raised in the stockholder demand letter of August 27, 2009. On March 15, 2010, Mr. Bell issued his report that concluded that the maintenance of the complaint against the named officers and directors is not in the best interests of Caraco. On March 30, 2010, Caraco filed a motion for summary disposition. On July 23, 2010, Caraco's motion was granted by the court.

Prior to joining Caraco, Mr. Bell had extensive experience as an executive and board member of another generic drug company. At Caraco, Mr. Bell has been a member of the audit committee, acted as chairman of the Independent Committee since September 2009 and was designated as a special litigation committee as noted in the immediately preceding paragraphs to conduct an investigation and make a recommendation. In light of the number of significant factors affecting Caraco during this period, and based on his experience in the industry and his time with Caraco, Mr. Bell came to the view in July 2010 that Caraco needed to reconsider and substantially revise its business strategy. He considered the significant impact of the FDA seizure of drug products manufactured in Caraco's Michigan facilities, the voluntary cessation of manufacturing in such facilities, the indefinite reduction in workforce of approximately 430 employees, the Consent Decree, the significant costs Caraco was incurring to try to remediate the FDA problems and the uncertainty of when Caraco would be reinstated by the FDA. Mr. Bell also considered the impending expirations of Caraco's agreements for distribution of Sun Pharma products and the turnover in Caraco's management.

Table of Contents

Mr. Bell and Mr. Shanghvi met in July 2010 to discuss Mr. Bell's views, and Mr. Bell proposed to Mr. Shanghvi that Caraco consider structural changes and the possible sale of Caraco. Mr. Bell stated that it would be prudent for Caraco to review its plans with the FDA, hire investment bankers to explore alternatives, identify target buyers, and consider the sale of Caraco to a third-party buyer on a schedule where the sale would be completed as early as December 2010.

Mr. Shanghvi, after the meeting, advised Mr. Bell that Sun Pharma might consider a possible going private transaction. Mr. Bell suggested that Sun Pharma consider another alternative whereby Caraco would convert itself into a pure distribution company for Sun Pharma and third party pharmaceutical companies' products. Mr. Bell also recommended that Caraco hire investment bankers to advise Caraco regarding the valuation of Caraco in a going private transaction. Mr. Shanghvi responded that he would consider Mr. Bell's ideas and that the two should meet again for more discussion. Mr. Shanghvi suggested that Mr. Bell review his ideas with GP Singh, currently the Chief Executive Officer, but then the Chief Operating Officer, of Caraco. Mr. Bell then discussed his ideas with Mr. Singh who was open to considering the concepts.

In August 2010, Mr. Bell and Mr. Shanghvi met again along with Mr. Singh. Mr. Bell made a presentation about Caraco, emphasizing Caraco's FDA issues and the pending expirations of the Sun Pharma marketing and distribution agreements. Several possible alternatives for restructuring Caraco were presented, including (i) cessation of FDA remediation efforts, (ii) transfer and sale of Caraco's current and pending ANDAs and other products (some possibly to Sun Pharma), (iii) an emphasis entirely on distribution, and (iv) pursuit of a going-private transaction with Sun Pharma. Mr. Bell stated that in a going-private transaction, Sun Pharma should consider purchasing the public shares at the "lesser of (i) 140% of the weighted average selling price of the shares during the 90 day period immediately prior to the offer, or (ii) 130% of the share price immediately prior to the offer but no less than 125% of the price per share based upon an appraisal of Caraco by a reputable investment banker." Mr. Shanghvi responded that FDA policy and the FDA Consent Decree could prevent Caraco from transferring its current and pending ANDAs, thus potentially rendering aspects of Mr. Bell's stated proposal unviable. Mr. Shanghvi added that Sun Pharma would continue to consider a possible going private transaction.

Mr. Bell confirmed that FDA policy and the Consent Decree could effectively restrain the transfer of Caraco's current and pending ANDAs. In October 2010, Mr. Bell suggested that Caraco and Sun Pharma move promptly to address the questions relating to the impending expirations of the marketing and distribution agreements, and that Caraco hire an investment banker to solicit offers for Caraco with Caraco to be sold to the highest bidder, possibly Sun Pharma. Mr. Shanghvi agreed that the marketing and distribution agreements should be addressed promptly by Sun Pharma (and the Independent Committee on behalf of Caraco) and also agreed to consider Mr. Bell's suggestion regarding the possible sale of the entire Company.

Table of Contents

In October 2010, Mr. Shanghvi responded to Mr. Bell that Sun Pharma would support the Independent Committee hiring investment bankers to develop a target list of generic drug companies that were likely to be interested in acquiring Caraco, and to solicit offers, which could provide a meaningful estimate of the value of Caraco. Mr. Shanghvi suggested that the Independent Committee then present to Sun Pharma a price that it and the investment bankers could recommend to the unaffiliated stockholders in a going-private transaction. In October 2010, the Caraco Board of Directors authorized the Independent Committee to retain an investment banker and other professionals to pursue the evaluation. The Independent Committee interviewed William Blair as a potential candidate to assist the Independent Committee with investment banking services. After consideration, the Independent Committee retained Carrington, Coleman, Sloman & Blumenthal, L.L.P. (“Carrington Coleman”) to provide legal counsel to the Independent Committee.

During this time period, the Independent Committee was also working with Caraco to address its marketing and distribution agreements with Sun Pharma. Caraco, with review by the Independent Committee, presented to Sun Pharma in early November 2010 a written proposal requesting that Sun Pharma amend and extend the term of the marketing and distribution agreements. Messrs. Bell and Singh requested a meeting to review the proposal with Mr. Shanghvi. Sun Pharma responded to the proposal by letter dated November 12, 2010, stating that Sun Pharma was not prepared to amend and extend the marketing and distribution agreements.

On November 20, 2010, Mr. Bell met with Mr. Shanghvi who again stated that Sun Pharma would not renew the marketing and distribution agreements with Caraco for more than one year. Mr. Shanghvi also stated that Sun Pharma was now considering proposing a cash offer to the Board of Directors of Caraco which could occur ideally before the marketing and distribution agreements terminated and “should be the best possible result for the public stockholders of Caraco.”

On November 22, 2010, the Independent Committee met to review the status of Caraco’s marketing and distribution agreements with Sun Pharma and Mr. Shanghvi’s discussions of a going private transaction. The Independent Committee reviewed its duties with Carrington Coleman with regard to a possible going private transaction and discussed potential buyers of Caraco besides Sun Pharma, the value of Caraco’s products, its sales force, ANDAs, facilities, financial disclosures, and the financial impact of Caraco’s distribution relationship with Sun Pharma. The Independent Committee also reviewed and discussed William Blair’s proposal to provide its investment banking services.

On December 3, 2010, the Board of Directors received the following letter containing a proposed \$4.75 per share offer from Sun Pharma and Sun Global (the “Sun Proposal”):

December 3, 2010
Board of Directors
Caraco Pharmaceutical Laboratories, Ltd.
1150 Elijah McCoy Drive

Table of Contents

Detroit, Michigan 48202
Attention: Timothy S. Manney and F. Folsom Bell
Independent committee

Ladies and Gentlemen:

On behalf of the Boards of Directors of Sun Pharmaceutical Industries Limited (“Sun”) and Sun Pharma Global, Inc. (“Sun Global”), we are writing to propose a going-private transaction by which Sun, Sun Global and/or one or more of their affiliates would acquire all of the outstanding shares of Caraco Pharmaceutical Laboratories, Ltd. (“Caraco”) common stock not held by Sun or Sun Global for per share consideration of \$4.75 in cash. This represents a 5% premium over the most recent closing price of Caraco common stock and a compelling value realization event for your stockholders. In addition, our proposal presents a valuable opportunity for our companies to build upon our existing commercial partnership and to realize the significant incremental benefits that will accrue from a full combination of our businesses. Our proposal is not subject to any financing condition.

We understand that Caraco’s Board of Directors has authorized the existing Independent Committee to evaluate and respond to any going private transaction that we may propose and to retain independent financial and other advisers to assist it in that process. We and our team, including our legal advisers, are ready to meet with the Independent Committee and its advisers at any time to discuss this proposal and to answer any questions the Independent Committee or its advisers may have. Due to the importance of these discussions and the value represented by our proposal, we expect the Independent Committee to engage in a full review of our proposal.

We would appreciate receiving your response to our proposal as soon as reasonably possible. Sun and Sun Global will be amending their Schedule 13D to reflect this proposal. Please be advised that Sun and Sun Global have no intention to sell any of the shares of Caraco common stock or preferred stock held by them to any third party.

This letter is not intended to create or constitute a legally binding obligation, liability or commitment by us regarding the proposed transaction, and there will be no legally binding contract or agreement between us regarding the proposed transaction unless and until a definitive agreement with respect to the transaction is executed.

We sincerely hope that you will see the enormous benefits of the proposed transaction to Caraco and its stockholders and will support a combination of our two companies. We look forward to hearing from you.

Sincerely,

/s/ Dilip S. Shanghvi
Dilip S. Shanghvi
Chairman and Managing Director
Sun Pharmaceutical Industries Limited,
17/B Mahal Industrial Estate,
Mahakali Caves Road,
Andheri (E), Mumbai-400093 India

/s/ Harin Mehta
Harin Mehta
Director
Sun Pharma Global, Inc.
International Trust Building,
P.O. Box 659, Tortola
British Virgin Islands

Table of Contents

The Sun Proposal was filed publicly as an exhibit to Sun Pharma's Schedule 13D/A filed with the SEC on December 3, 2010. On December 6, 2010, Caraco issued a press release announcing it had received the Sun Proposal.

On December 7, 2010, the Board of Directors authorized the Independent Committee to (1) consider the Sun Proposal, including but not limited to, reviewing (a) whether going private is appropriate for Caraco at this time or is inadvisable and should be rejected, (b) possible alternatives to the Sun Proposal or opportunities which may be more advantageous to Caraco; and (c) the merits of the Sun Proposal; (2) if deemed advisable, enter into discussions and negotiations with respect to the terms of the Sun Proposal, including the proposed per share purchase price, with Sun Pharma, Sun Global and their advisors; (3) make recommendations to the Board of Directors and, as applicable, to the stockholders as to the Independent Committee's findings; and (4) take any and all steps that the Independent Committee deems appropriate or advisable in connection with the Sun Proposal or any other alternative.

Also on December 7, 2010, the Independent Committee met to discuss further the retention of William Blair in connection with the Sun Proposal. In light of the statements made by Mr. Shanghvi to Mr. Bell on November 20, 2010 and the terms of the Sun Proposal, the Independent Committee determined that contacting third parties was unlikely to lead to meaningful offers for Caraco and therefore did not pursue the evaluation process that had been contemplated in October 2010.

On December 9, 2010, a putative class action lawsuit was filed on behalf of Caraco's stockholders entitled Groen v. Caraco, et al., Case No. 10-014311-CB in Wayne County Circuit Court, alleging that defendants had breached their fiduciary duties with regard to the Sun Proposal and sought, among other things, to enjoin the prospective consummation of the Sun Proposal. At least seven other similar actions were subsequently filed in Wayne County Circuit Court. (See "Litigation Challenging the Merger," page 60.)

On December 11, 2010, Mr. Shanghvi and Mr. Bell discussed the status of the marketing and distribution agreements between Caraco and Sun Pharma. In that conversation, Mr. Bell asked that Sun Pharma reconsider its decision not to extend the term past January 2011. After discussion, Mr. Shanghvi said Sun Pharma would agree to extend the expiration date of both agreements to January 2012, with Sun Pharma and Caraco agreeing to transition plans in the additional year. Mr. Bell also asked that Sun Pharma reconsider its decision taken in the Sun Proposal that it would not sell any of its shares of Caraco to any third party. Mr. Shanghvi stated that Sun Pharma's position remained firm.

On December 13, 2010, the Independent Committee met with Carrington Coleman, who reviewed with the Independent Committee its fiduciary duties relating to its evaluation of the Sun Proposal. The Independent Committee also resolved to retain William Blair to assist in the review of the Sun Proposal and then included William Blair in the meeting by phone. The Independent Committee further discussed correspondence received from a significant minority stockholder of Caraco regarding the Sun Proposal. The stockholder expressed concerns, among other things, that Sun Pharma was trying to take advantage of Caraco's unaffiliated stockholders at a time just prior to Caraco achieving increased manufacturing output and profitability. Additionally, the Independent Committee reviewed the proposals to extend the marketing and distribution agreements between Caraco and Sun Pharma to provide for expiration in January 2012.

Table of Contents

The Board of Directors received a letter from a stockholder dated December 14, 2010 demanding that the Board of Directors take actions to remedy alleged breaches of fiduciary duty including the appointment of at least two new directors and the reconstitution of the Independent Committee to consist solely of such new directors to negotiate with Sun Pharma regarding the Sun Proposal, subject to certain terms and conditions. The stockholder added that if the Board of Directors fails to take the actions it would commence a derivative proceeding.

From December 17, 2010, through January 2011, the Independent Committee, its members, and William Blair had an ongoing dialogue with Caraco's Chief Executive Officer, interim Chief Financial Officer, Director of Legal Services, and Senior Director of Business Strategies (the "Caraco Team") regarding preparation of financial projections for Caraco for the next several years. William Blair reviewed financial data provided by the Caraco Team and communicated with the Caraco Team and the Independent Committee regarding questions and issues that William Blair identified as related to preparation of the projections. The Independent Committee members also reviewed with the Caraco Team financial data and information throughout this period in order to understand the assumptions behind the financial data as a basis for Caraco's projections. The Independent Committee, Carrington Coleman and William Blair worked together to identify and then discuss with the Caraco Team different business scenarios and operating assumptions such as the time of resumption of manufacturing after FDA remediation, and financial assumptions such as the expected profit margins from Caraco's projected product launches. During this period, Mr. Bell participated in several telephonic discussions among Mr. Shanghvi, members of Caraco management, and Lachman Consultants ("Lachman"), who were retained by Caraco to assist in its cGMP remediation process, regarding Caraco's remediation progress.

On December 17, 2010, the Independent Committee, Carrington Coleman and William Blair met with the Caraco Team to further review the methodology and processes for preparing Caraco's forecasts and projections. The Caraco Team outlined Caraco's history, current financial statements, and preliminary five-year financial projections. The Independent Committee and William Blair reviewed with the Caraco Team various aspects of the presentation and asked for more information.

Also on December 17, 2010, the Independent Committee, Carrington Coleman and William Blair met apart from the Caraco Team to (i) discuss the financial information and projections; (ii) continue their discussions and evaluations of the Sun Proposal; and (iii) discuss the Sun Pharma marketing and distribution agreements, including Mr. Bell's conversation with Mr. Shanghvi on December 11.

On December 20, 2010, Mr. Bell, Mr. Shanghvi and members of Caraco management participated in a conference call with Lachman. Lachman noted that remediation efforts were progressing, but more slowly than originally expected.

On December 22, 2010, the Independent Committee, Carrington Coleman and William Blair met apart from management. The Independent Committee reviewed possible strategic alternatives to the Sun Proposal with William Blair and Carrington Coleman, including full liquidation, continued operation under Caraco's current business plan, an alternative business plan under which Caraco would cease manufacturing and operate through third-party contract manufacturing, sale of the minority shares to a private investor, and sale of Caraco to a buyer other than Sun Pharma. The Independent Committee and its counsel further discussed Lachman's update on FDA remediation progress and its possible impact on Caraco's financial projections previously presented by management. Additionally, the Independent Committee further discussed the proposed extensions until January 2012 of the marketing and distribution agreements with Sun Pharma and approved the extension of the marketing and distribution agreements subject to appropriate documentation and Sun Pharma's final approval.

Table of Contents

Also on December 22, 2010, the Independent Committee, Carrington Coleman and William Blair met with the Caraco Team to further discuss Caraco's financial data and preparation of its preliminary five-year forecasts and projections. It was noted that Caraco's financial forecasts were to assume that Caraco's marketing and distribution agreements with Sun Pharma would expire in January 2012 and that, in light of Lachman's comments, dates for resumption of manufacturing would be extended.

On December 27, 2010, Caraco issued a press release announcing that its marketing and distribution agreements with Sun Pharma had been extended until January 28, 2012, and that each would expire following these extensions.

On December 29, 2010, the Independent Committee, Carrington Coleman and William Blair met with the Caraco Team to further discuss Caraco's business and to discuss the preparation process of Caraco's financial data and preliminary five-year projections. William Blair circulated due diligence questions to the Caraco Team and the Independent Committee. The Caraco Team answered questions and committed to provide additional information as necessary.

Also on December 29, 2010, the Independent Committee, Carrington Coleman and William Blair met separately to discuss Caraco's business, financial data and preliminary five-year projections. Dr. Leon Lachman, CEO of Lachman, joined the meeting by phone and discussed the progress of Caraco's remediation efforts with the Independent Committee.

On January 3, 2011, Caraco issued a press release announcing that, based on the progress of its remediation efforts to date, it did not expect to commence the manufacture and distribution of any products from its Detroit facility by the end of Caraco's Fiscal Year 2011, ending March 31, 2011 (Caraco had previously announced in October 2010 that it expected to commence manufacturing of two products by the end of Fiscal Year 2011). Caraco further disclosed that there is no assurance that the remediation efforts would be successful or result in resolution of the FDA compliance issues.

On January 7, 2011, the Independent Committee, Carrington Coleman and William Blair met and discussed William Blair's analysis of the revised financial data and preliminary projections received from the Caraco Team, and discussed multiple business scenarios for Caraco, operations assumptions, and financial assumptions. Given the state of the remediation process, the Independent Committee noted that Caraco might not be able to resume manufacturing within the time frame that Caraco management had projected and discussed whether and when Caraco would be able to realize the value of its ANDA products currently pending for FDA approval.

On January 11, 2011, the Independent Committee, Carrington Coleman and William Blair met to discuss the revised financial data and projections provided by the Caraco Team which factored in the expected delays in the remediation process.

Table of Contents

On January 14, 2011, the Independent Committee, Carrington Coleman and William Blair met to discuss a presentation by William Blair regarding potential valuation of Caraco under several different business scenarios. Also, the Independent Committee reviewed the status of certain pending drug approvals, and discussed whether and when Caraco would be able to resume manufacturing.

On January 18, 2011, Carrington Coleman talked with Caraco's outside FDA counsel at Crowell & Moring LLP to discuss Caraco's Consent Decree, filings, and correspondence with the FDA, as well as Caraco's remediation efforts and cGMP compliance status.

During mid-January 2011, Mr. Bell contacted Mr. Shanghvi to schedule a meeting at which the Independent Committee could discuss the Sun Proposal with Mr. Shanghvi. A meeting was set for Wednesday, January 26, 2011.

On January 22, 2011, the Independent Committee, Carrington Coleman and William Blair met to discuss the upcoming negotiations between the Independent Committee and Mr. Shanghvi, and to discuss recent developments at Caraco affecting management's financial forecasts. The Independent Committee reviewed the most recent preliminary forecasts by the Caraco Team, including the underlying assumptions, and William Blair's analysis of those forecasts. The Independent Committee noted that these forecasts contained assumptions about Caraco's financial performance in its current fiscal year and about certain drugs, which assumptions needed to be changed because of recently acquired information. Actual financial results for the third quarter reflected a larger loss than was anticipated in the forecast and results for the fourth quarter were likely to reflect a larger loss than had been assumed in the forecast. Also, revenues projected for one particular drug needed adjustment to reflect a significant price decrease in the product. The Caraco Team provided an updated forecast to the Independent Committee and William Blair on February 1, 2011 that reflected this information.

The Independent Committee met further on January 22, 2011 to review its strategy for the upcoming negotiations with Mr. Shanghvi, discussing overall valuation, premiums in comparable transactions, stockholders' expectations and the financial values of Caraco's most significant drugs. The Independent Committee also reviewed again its duties with Carrington Coleman regarding the Sun Proposal.

On January 26, 2011, the Independent Committee met with Mr. Shanghvi in London, UK, to negotiate Sun's Proposal. The Independent Committee described to Mr. Shanghvi the fiduciary duties to be discharged by the Independent Committee in connection with the Sun Proposal and explained the work that it had undergone—reviewing its duties, working with William Blair and the Caraco Team, the Independent Committee's reviewing Caraco management's five-year financial forecast and the various assumptions upon which the financial forecasts were based, assessing the value of its products and pending ANDA approvals, considering alternatives to the Sun Proposal, looking at comparable transactions and historical premiums, and discussing unaffiliated stockholder expectations. Mr. Munson, a member of the Independent Committee, told Mr. Shanghvi that he believed a higher price than the \$4.75 offered was appropriate. Mr. Shanghvi stated that he believed the valuations of the pending ANDA approvals were less than those presented by the Independent Committee and that the \$4.75 price was fair. After further discussion, Mr. Shanghvi stated that he had approval from Sun Pharma's board of directors to increase the proposed price only to \$5.00 per share, but Mr. Shanghvi said he would recommend to Sun Pharma's board of directors that they approve a price of \$5.25 per share. The Independent Committee then caucused without Mr. Shanghvi, and after reviewing Mr. Shanghvi's proposed price and discussing its merits, the Independent Committee responded to Mr. Shanghvi that it could support a price of \$5.25 per share subject to receipt of a fairness opinion from William Blair and approval of appropriate legal agreements. The Independent Committee and Mr. Shanghvi discussed possible transaction structures, including a two-step merger (a tender offer followed by a short-form merger) and a one-step or "long form" merger.

Table of Contents

Between January 28 and February 11, 2011, Carrington Coleman and Shearman & Sterling LLP (“Shearman”), counsel to Sun Pharma and Sun Global, discussed the proposed transaction, as well as a draft merger agreement. The attorneys reviewed the terms discussed by the Independent Committee and Mr. Shanghvi. Carrington Coleman proposed that the merger agreement have limited representations and few conditions to close.

On February 15, 2011, Shearman sent Carrington Coleman its first draft of the proposed merger agreement between Sun Pharma and Caraco. Between February 15, 2011 and February 18, 2011, Sun Pharma, Sun Global and the Independent Committee negotiated the terms of the proposed merger agreement through their respective counsel. The parties agreed to provide appraisal rights for Caraco’s unaffiliated stockholders dissenting from the merger, and further agreed that Sun Pharma and Sun Global would provide irrevocable proxies to the Independent Committee permitting the Independent Committee to vote Sun Pharma’s and Sun Global’s shares in favor of the proposed merger. Additional terms of the merger agreement are discussed below in the section entitled “The Merger Agreement,” beginning on page 66.

On February 18, 2011, Mr. Bell sent to the other members of the Independent Committee for review an agenda for the Independent Committee’s February 21, 2011 meeting to consider the merger, proposed resolutions for the Independent Committee relating to the merger, drafts of William Blair’s materials to be discussed with the Independent Committee, which integrated the most recent financial forecasts furnished by the Caraco Team, and a draft of its fairness opinion and a substantially final draft of the merger agreement.

On February 21, 2011, the Independent Committee, after its review of the merger agreement and William Blair’s presentation of the basis for and delivery of its fairness opinion, unanimously determined that the proposed merger and the terms and provisions of the merger agreement were fair to and in the best interests of Caraco’s unaffiliated stockholders and that the merger was advisable.

At the Independent Committee’s February 21, 2011 meeting, William Blair, in presenting its fairness opinion, reviewed the materials it had examined, including Caraco’s financial statements and forecasts, Caraco’s filings, comparable market information, the proposed merger agreement and other data. William Blair also reviewed its valuation analyses, including market metrics of selected public companies, valuations in selected mergers and acquisitions transactions, comparable premiums in similar going private transactions, and valuation of Caraco utilizing discounted cash flows.

In responding to questions raised at the meeting, William Blair noted that the EBITDA exit multiples and the discount rates used in its discounted cash flow analysis were higher than those previously used. In particular, William Blair noted that: (i) in estimating the terminal value of Caraco in its analysis, the range of EBITDA multiples utilized was consistent with those of the selected public general pharmaceutical companies rather than pharmaceutical distributors (11.0x to 13.0x versus 9.0x to 10.0x); and (ii) the discount rates were consistent with the cost of capital rates for early stage pharmaceutical companies (15.0% to 19.0% versus 11.0% to 15.0%). The Independent Committee concurred with the multiples and rates included in William Blair’s presentation. The Independent Committee also noted that using the lower multiples and discount rates would result in an implied present value of \$3.84 to \$5.06 per share rather than the \$4.23 to \$5.37 range implied by the discounted cash flow analysis used by William Blair in rendering its fairness opinion. William Blair also noted that the discounted cash flow analysis represented only one aspect of its valuation analysis contained in the William Blair Opinion.

Table of Contents

The Independent Committee, based on its consideration of the factors it had reviewed and analyzed over the past 11 weeks—including Caraco’s remediation efforts, Caraco’s financial statements and forecasts, issues particular to some of the most valuable drugs in Caraco’s forecasts, meetings with the Caraco Team, alternatives to the Sun Proposal, the merger consideration, the terms of the merger agreement, and the William Blair Opinion—recommended to the Board of Directors that the Board of Directors approve and adopt the merger agreement and the transactions contemplated thereby and recommended that unaffiliated stockholders vote to approve the merger agreement.

At a special meeting of the Board of Directors held immediately following the Independent Committee’s determination, at which all of the members of the Board of Directors were present except for Mr. Sailesh Desai, the Board of Directors considered the recommendation of the Independent Committee. The Board of Directors consists of seven members, three of whom serve on the Independent Committee, and the remaining four members, all of whom have current or past relationships with Sun Pharma (the “Non-Independent Directors”). At the meeting of the Board of Directors, the Independent Committee, with representatives of Carrington Coleman participating, reported to the Board of Directors on its review of the proposed transaction and the merger agreement. The Board of Directors voted to approve the proposed merger transaction and to approve and adopt the merger agreement, with the Non-Independent Directors abstaining. In accordance with Michigan corporate law, because of the conflict of interests of the Non-Independent Directors, the Board of Directors did not recommend that Caraco’s unaffiliated stockholders vote for or against the merger. Following the meeting, Sun Pharma, Sun Global, Merger Sub and Caraco executed the merger agreement and on February 22, 2011, Caraco announced that it had entered into a merger agreement with Sun Pharma and Sun Global.

Position of Caraco’s Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of Merger Agreement by Board of Directors and Independent Committee

On February 21, 2011, the Independent Committee met and approved and adopted the merger agreement and the related transactions. The Independent Committee also determined that the proposed merger and the related transactions were fair to and in the best interests of Caraco’s unaffiliated stockholders. Based on such determination, the Independent Committee is recommending that Caraco’s unaffiliated stockholders vote FOR the approval and adoption of the merger agreement. In addition, the Independent Committee recommended to the Board of Directors that the Board of Directors approve and adopt the merger agreement and the related transactions.

At a special meeting of the Board of Directors held immediately following the meeting of the Independent Committee, the Board of Directors met and, based on the recommendation of the Independent Committee, approved and adopted the merger agreement and the related transactions. The directors currently or formerly affiliated with Sun Pharma and Sun Global abstained from the vote because of the conflict of interest in voting on the transaction proposed by Sun Pharma and Sun Global. In connection therewith, because of such conflict of interest, the Board of Directors did not recommend that Caraco’s unaffiliated stockholders vote for or against the merger.

Table of Contents

In view of the existence of the Independent Committee and the Independent Committee's retention of William Blair, there was no need for the Board of Directors to retain an unaffiliated representative to act on behalf of Caraco's stockholders in negotiating the terms of the transaction or in preparing a report on the fairness of the transaction.

The Independent Committee viewed the following factors as being generally supportive in coming to its determination and recommendation:

Business and Financial Information. The Independent Committee took into account the historical and current financial condition, results of operations, business and prospects of Caraco, the risks involved in achieving those prospects, and the business conditions in which Caraco operates. In particular, the Independent Committee considered the June 2009 FDA seizure, the FDA complaint and the resulting Consent Decree and Caraco's cessation of manufacturing operations and their impact on Caraco.

FDA. Since the voluntary shutdown of manufacturing operations in June 2009, Caraco has generated no revenues from its manufacturing operation. Caraco, in order to ultimately regain good standing with the FDA and to comply with the terms of the Consent Decree, has followed a remediation work plan that involves (1) continued employment of a core staff of manufacturing-related employees, (2) continued maintenance, for training and sample manufacturing purposes, of the entire manufacturing facility and (3) substantial use of cGMP consultants. The cost of executing this work plan has resulted in substantial operating losses, only partially offset by profits from distribution of Sun Pharma and other Caraco-owned products. Further, should Caraco be allowed to resume manufacturing under the terms of the Consent Decree, most of those costs and the resultant operating losses will continue for the next several years, as the facility will be operating at only a fraction of its intended capacity, and the use of cGMP consultants will continue to be required.

All of Caraco's prior approved products, together with the new products pending approval from the FDA, will be subject to processes, certification and approvals as set forth in the Consent Decree. The Independent Committee believes that, even assuming a successful remediation process, it will take significant time before Caraco will be able to reach its previous levels of manufacturing in its facilities. Further, there is no assurance that the steps taken will be successful or result in resolution of the FDA compliance issues. Caraco is not able at this time to estimate the cost of these actions, which will be substantial, and even after the manufacturing resumes, will include the costs of operating its manufacturing facility at volumes well below the facility's capacity. The Consent Decree also requires Caraco to abide by certain conditions and restrictions. If Caraco violates any portion of the Consent Decree, it could incur monetary fines and other penalties. Caraco expects to continue under the Consent Decree for five to six years. Caraco's FDA compliance issues generate substantial uncertainty concerning Caraco's value.

Caraco's consultants believe that Caraco can at some time in the future achieve FDA approval for its products but have advised Caraco that the employment by Caraco of additional skilled, experienced personnel will be required to achieve full remediation. Caraco has had significant management and employee turnover since the FDA seizure. Caraco recently replaced senior and lower level personnel in both the manufacturing and quality areas.

Table of Contents

Sun Pharma Marketing and Distribution Agreements. The independent committee considered the expiration of the Sun Pharma marketing and distribution agreements in January 2012. Net sales and gross profit under those agreements were:

| Period | Net Sales | Gross Profit |
|-----------------------------|----------------|---------------|
| Nine months ended Dec. 2010 | \$ 251,500,076 | \$ 23,463,115 |
| Fiscal Year 2010 | \$ 211,358,549 | \$ 19,716,017 |
| Fiscal Year 2009 | \$ 225,423,273 | \$ 19,662,047 |

Caraco expects no more net sales or gross profit under the Sun Pharma marketing and distribution agreements after January 2012.

Financial Analysis and Opinion of William Blair. The Independent Committee considered its discussions with William Blair and the William Blair Opinion delivered on February 21, 2011, to the effect that, as of such date, and based upon and subject to the assumptions made, matters considered and limitations on the review undertaken described in the William Blair Opinion, the merger consideration to be paid is fair, from a financial point of view, to the stockholders of Caraco, other than the Sun Pharma and Sun Global. The full text of the William Blair Opinion is included as Appendix B hereto, and William Blair's presentation relating to such opinion is summarized under "Opinion of the Independent Committee's Financial Advisor," page 43. The Independent Committee was aware of the fees that William Blair is entitled to receive as described under "Estimated Fees and Expenses," on page 59, which the Independent Committee believed were designed to provide appropriate incentives for William Blair.

Revised Offer Price. The Independent Committee considered the fact that the merger consideration is \$.50 higher than the \$4.75 offer price initially proposed by Sun Pharma and Sun Global on December 3, 2010 representing a 10.5% increase in the value of the consideration offered to the unaffiliated stockholders.

Premium Relative to Market Prices. The Independent Committee considered the current and historical trading prices of the shares of Common Stock and premiums paid in comparable merger transactions. Based upon the closing price of the shares of Common Stock on December 3, 2010 of \$4.54, the trading day preceding the public announcement of the Sun Proposal, the merger consideration represents a 15.6% premium. In addition, the merger consideration represents a premium of approximately 13.9% over the average closing price of shares of Common Stock for the 30 trading days ended on December 3, 2010.

Appraisal Rights. In negotiating the terms of the merger with Sun Pharma and Sun Global, the Independent Committee secured appraisal rights for Caraco's unaffiliated stockholders. Such rights are not required under Michigan law, and are frequently not made available to stockholders. The Independent Committee considered the fact that if the merger occurs, stockholders who do not vote in favor of the merger and follow all applicable procedures under Michigan law would be entitled to demand an appraisal of their shares of Common Stock, as described under "Rights of Appraisal" below.

Controlled Company Status and Lack of Strategic Alternatives. The Independent Committee took into account the fact that Sun Pharma and Sun Global together currently own approximately 75.8% of outstanding shares of Common Stock of Caraco and that Sun Pharma and Sun Global have stated on numerous occasions that they are not prepared to sell any of the shares owned by them. Accordingly, the Independent Committee concluded Caraco's strategic alternatives (including an acquisition by a third party) are limited.

Table of Contents

Conflicts of Interest. The Independent Committee considered the actual and potential conflicts of interest between Caraco on the one hand and Sun Pharma and Sun Global on the other hand, in connection with the marketing and distribution agreements and other agreements described above and otherwise, and of those directors, officers and former employees of Sun Pharma who serve as members of Caraco's management and the Board of Directors. The Independent Committee believes that the process of using an Independent Committee is an established mechanism under Michigan law to deal with these actual or potential conflicts of interest and believes that the Independent Committee process effectively neutralized them.

Terms of the Merger Agreement. The Independent Committee also considered the other terms of the merger agreement, including the fact that completion of the proposed merger is not subject to a financing condition, that there are relatively few closing conditions to the merger, that there is no "material adverse effect" closing condition, and that there is no regulatory approval necessary to consummate the merger. Sun Pharma and Sun Global have agreed to vote their shares of Common Stock in favor of the merger agreement and the related transactions and have provided the members of the Independent Committee with irrevocable proxies to vote their shares in favor of the merger agreement. Accordingly, the Independent Committee and the Board of Directors believed that there was a high likelihood that the merger would be consummated.

Potentially Negative Factors. The Independent Committee was aware of the following potentially negative factors:

Loss of Ability to Participate in the Future Growth of Caraco. Any stockholder who has its shares of Common Stock converted into cash in the merger would cease to participate in the future earnings or growth, if any, of Caraco or benefit from increases, if any, in the value of Caraco.

Historical Market Prices. The shares of Common Stock have historically traded (prior to the FDA actions against Caraco) at significantly higher levels than the merger consideration.

The foregoing discussions of the background information and factors considered by the Independent Committee are not intended to be exhaustive but are believed to include the material factors considered by the Independent Committee. The Independent Committee did not find it practicable to and did not quantify or otherwise assign relative weights to specific factors considered in reaching its determination and recommendation. Rather, the Independent Committee viewed its determination and recommendation as being based on the totality of the information and factors presented to and considered by the Independent Committee.

Position of the Sun Filing Persons as to the Fairness of the Merger

Under the SEC rules, the Sun Filing Persons are required to provide certain information regarding their position as to the substantive and procedural fairness of the proposed merger to the unaffiliated stockholders of Caraco. The Sun Filing Persons did not undertake a formal evaluation of the fairness of the proposed merger and are making the statements included in this section solely for purposes of complying with such requirements. The views of the Sun Filing Persons with respect to the fairness of the merger are not, and should not be construed as, a recommendation to any stockholder as to how that stockholder should vote on the proposal to approve and adopt the merger agreement.

Table of Contents

The unaffiliated stockholders of Caraco were, as described elsewhere in this proxy statement, represented by the Independent Committee which negotiated with Sun Pharma and Sun Global on their behalf, with the assistance of outside legal counsel and independent financial advisors. No Sun Filing Persons participated in the deliberations of Caraco's directors regarding, and no Sun Filing Persons received advice from the Independent Committee's legal or financial advisors as to, the fairness of the merger. Sun Pharma and Sun Global did not engage a financial advisor to provide financial advisory services with respect to the merger.

The merger is not structured such that approval of at least a majority of Caraco's unaffiliated stockholders is required. This did not affect the Sun Filing Persons' determination as to the procedural fairness of the terms and conditions of the merger, because of the factors described below, which, in the opinion of the Sun Filing Persons, provided substantial procedural safeguards to Caraco's unaffiliated stockholders. For example, the fact that the Independent Committee (a) was advised by outside legal counsel and an independent financial advisor in relation to the merger, (b) had exclusive authority to review, evaluate and negotiate the terms of the merger, (c) did negotiate the terms of the merger on an arm's-length basis, and (d) received the opinion from its independent financial advisor that is described below, was considered in the Sun Filing Persons' determination that the terms and conditions of the merger were procedurally fair to Caraco's unaffiliated stockholders.

The Sun Filing Persons believe that the merger is substantively fair to Caraco's unaffiliated stockholders based on, among other things, the following factors:

- The Independent Committee, which is comprised of three directors who are not affiliated with Sun Pharma or Sun Global and are not officers or employees of Caraco, unanimously concluded that the merger is fair to and in the best interests of the unaffiliated stockholders of Caraco, approved and adopted the merger agreement and the merger, recommended that the unaffiliated stockholders of Caraco vote to approve and adopt and approve the merger agreement and recommended to the Board of Directors that the Board of Directors approve and adopt the merger agreement;
- The Independent Committee was advised by its independent legal counsel and financial advisor in relation to the merger;
- The Independent Committee had the authority to reject any transaction proposed by Sun Pharma or Sun Global and did not have the obligation to recommend that Caraco's unaffiliated stockholders approve and adopt the merger agreement;
- The Independent Committee received an opinion from the Independent Committee's independent financial advisor, William Blair, to the effect that, as of the date of the William Blair Opinion and subject to the various assumptions, qualifications and limitations set forth in its opinion, the merger consideration is fair to Caraco's unaffiliated stockholders from a financial point of view. The full text of the William Blair Opinion which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by William Blair in rendering its opinion, is attached as Appendix B to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the William Blair Opinion carefully and in its entirety. The opinion was directed to the Independent Committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by Caraco's unaffiliated stockholders. The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement;

Table of Contents

- The consideration to be paid to Caraco's unaffiliated stockholders under the merger represents:
 - oa 15.6% premium over the closing price of Caraco Common Stock on the NYSE Amex on December 3, 2010, the last trading day prior to announcement of Sun Pharma's and Sun Global's \$4.75 per share proposal, and a 10.5% increase over the \$4.75 per share proposal; and
 - oa 13.9% premium to the average closing price of Caraco Common Stock on the NYSE Amex for the 30 trading days ended on December 3, 2010;
- The fact that no alternative bidder would be able to consummate an acquisition of Caraco because Sun Pharma and Sun Global each is unwilling to sell its shares of Caraco Common Stock (which shares represent a controlling interest);
- The consideration to be paid in the merger is all cash and is not subject to any financing condition, which provides certainty of value for Caraco's unaffiliated stockholders;
- The consideration to be paid in the merger reflects the fact that Sun Pharma and Sun Global already own a majority of the outstanding shares of Common Stock and, accordingly, the merger does not involve a change of control. As a result, the merger should not be expected to, and does not, reflect a control premium;
- Caraco's unaffiliated stockholders who do not vote in favor of the merger agreement and who comply with certain procedural requirements will be entitled, upon completion of the merger, to exercise statutory appraisal rights under Michigan law, which allows those stockholders to have the fair value of their shares determined by a Michigan court and paid to them in cash. This entitlement is not automatic under Michigan law and is the result of negotiation by the Independent Committee on behalf of Caraco's unaffiliated stockholders;
- The merger will provide liquidity, without the brokerage and other costs typically associated with market sales, for Caraco's unaffiliated stockholders whose ability to sell their shares of Common Stock is adversely affected by the limited trading volume and low public float of the shares;

Table of Contents

- The belief that the going concern value of Caraco as a public company could be less than the merger consideration of \$5.25 per share due to the negative impact of the FDA's recent seizure and enforcement actions involving Caraco (and the underlying issues giving rise to those actions);
 - The expiration of the Sun Pharma-Caraco marketing and distribution agreements in January 2012; and
- The other factors referred to above as having been taken into account by the Independent Committee, which the Sun Filing Persons adopt as their own (see "Position of Caraco's Independent Committee as to the Fairness of the Merger; Recommendation by Independent Committee; Approval and Adoption of the Merger Agreement by Board of Directors and Independent Committee" beginning on page 33).

The Sun Filing Persons also believe that the proposed merger is procedurally fair to Caraco's unaffiliated stockholders based on, among other things, the following factors:

- The Independent Committee and its counsel negotiated all financial and other terms and conditions of the merger agreement on an arm's-length basis with Sun Pharma, Sun Global and their counsel, with the Independent Committee benefiting from the advice of William Blair. Sun Pharma and Sun Global did not participate in the deliberations of the Independent Committee or the Board of Directors;
- The Independent Committee unanimously concluded that the merger is fair to and in the best interests of the unaffiliated stockholders of Caraco, approved and adopted the merger agreement and the merger, recommended that the unaffiliated stockholders of Caraco vote to approve and adopt the merger agreement and recommended to the Board of Directors that the Board of Directors approve and adopt the merger agreement and the merger;
- The merger consideration and other terms and conditions of the merger agreement were the result of arm's-length negotiations between Sun Pharma and Sun Global, on the one hand, and the Independent Committee on the other hand, and their respective advisors;
- The Independent Committee had the authority to reject the transaction proposed by Sun Pharma and Sun Global, and did not have the obligation to recommend that Caraco's unaffiliated stockholders approve and adopt the merger agreement;
- Under the terms of the merger agreement, in certain circumstances prior to obtaining stockholder approval and adoption of the merger agreement, the Independent Committee is permitted to withdraw or modify its recommendation of the merger agreement; and
- Caraco's unaffiliated stockholders who do not vote in favor of the merger agreement and who comply with certain procedural requirements will be entitled, upon completion of the merger, to exercise statutory appraisal rights under Michigan law, which allows those stockholders to have the fair value of their shares determined by a Michigan court and paid to them in cash. This entitlement is not automatic under Michigan law and is the result of negotiation by the Independent Committee on behalf of Caraco's unaffiliated stockholders.

Table of Contents

Although Sun Pharma and Sun Global did not calculate a specific per share going concern value for Caraco, the Sun Filing Persons believe that the merger consideration is fair in relation to Caraco's going concern value per share based on their knowledge of Caraco's business and prospects, including the current challenges of Caraco's operating environment (including as a result of the FDA's recent seizure and enforcement actions), the projections contained in this proxy statement, including the assumptions contained therein, Caraco's historical results of operations, and the Sun Filing Persons' knowledge of Caraco's industry.

The Sun Filing Persons did not consider Caraco's net book value or liquidation value in their evaluation of the fairness of the merger to the unaffiliated stockholders of Caraco because they did not believe that Caraco's net book value or liquidation value were material or relevant to a determination of the substantive fairness of the merger. The Sun Filing Persons did not believe that Caraco's net book value was material to their conclusion regarding the substantive fairness of the merger because, in their view, net book value is not indicative of Caraco's market value since it is a purely historical measurement of financial position in accordance with U.S. generally accepted accounting principles and is not forward-looking or wholly based on fair value. The Sun Filing Persons did not believe that the liquidation value of Caraco's assets was material to their conclusion regarding the substantive fairness of the merger because they consider Caraco to be a viable going concern business where value is derived from cash flows generated from its continuing operations.

The Sun Filing Persons did not consider the potential for alternative transactions involving Caraco because the Sun Filing Persons did not, and do not, intend to consider or participate in any alternative transaction involving a sale of or reduction of Sun Pharma's and Sun Global's investment in Caraco. For so long as Sun Pharma and Sun Global control approximately 75.8% of the outstanding shares of Common Stock, it would not be possible for a third party to acquire control of Caraco or for Caraco's unaffiliated stockholders to receive a control premium for their shares. The Sun Filing Persons also did not consider the prices paid by Sun Pharma and Sun Global for past purchases of Common Stock because no such purchases have been made during the last two years. (Although shares of Caraco preferred stock held by Sun Global converted into shares of Common Stock during the last two years, there was no payment or other exchange of consideration upon conversion.) Finally, the Sun Filing Persons are not aware of any offer during the last two years for Caraco and accordingly no comparison to any such offer was made.

The foregoing discussion of the information and factors considered and given weight by the Sun Filing Persons in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by the Sun Filing Persons. The Sun Filing Persons did not find it practicable to assign, and did not assign, relative weights to the individual factors considered in reaching their conclusion as to the fairness of the proposed merger. Rather, the determination of the Sun Filing Persons as to fairness was made after consideration of all of the foregoing factors as a whole. None of the material factors considered by the Sun Filing Persons failed to support their belief in the fairness of the merger.

Table of Contents

Purposes and Effects of the Merger

Caraco's Purpose

Caraco's decision to engage in the transaction at this time was driven by Caraco's current status relating to its FDA remediation issues and by the likelihood of continuing material operating losses for at least several years before Caraco's manufacturing operations can return to profitability. Caraco determined that the merger consideration of \$5.25 per share for Caraco's unaffiliated stockholders offered by Sun Pharma and Sun Global provided the most attractive alternative available to Caraco, and that it was reasonable to conclude that delaying a transaction with Sun Pharma and Sun Global would be very unlikely to result in any favorable alternatives and could result in a loss of the Sun Pharma and Sun Global opportunity in whole or an opportunity on less favorable terms.

Caraco has incurred and expects to continue to incur substantial operating costs and consulting fees in connection with remediating its FDA compliance issues and resuming its manufacturing operations. It will take significant time before Caraco will be able to reach its previous level of manufacturing in its facilities. Further, there is no assurance that the steps taken will be successful or result in resolution of the FDA compliance issues. With the expiration of Caraco's marketing and distribution agreements with Sun Pharma in January 2012, Caraco will lose its most significant source of revenue. Strategic alternatives to the merger are limited because Sun Pharma and Sun Global currently own approximately 75.8% of the outstanding shares of Common Stock, and Sun Pharma and Sun Global have stated on numerous occasions that they are not prepared to sell any of the shares owned by them.

The Sun Filing Persons' Purpose of the Merger

The Sun Filing Persons' purpose for engaging in the merger is to increase Sun Pharma's and Sun Global's ownership of Common Stock from its current position of approximately 75.8% of the outstanding shares to 100%. Upon completion of the merger, Caraco will become wholly owned by Sun Pharma and Sun Global.

The Sun Filing Persons believe that it is best for Caraco to delist its shares from the NYSE Amex and operate as a privately held entity in order to allow Caraco greater operational flexibility and to focus on its long-term growth and continuing improvements to its business without the constraints and distractions caused by the public equity market's valuation of its Common Stock and related reporting requirements. In particular, the Sun Filing Persons believe that Caraco does not benefit from being a public company and that, consequently, the significant legal, accounting and other costs and expenses incurred by Caraco by virtue of being a public company are unnecessary and detrimental to Caraco's business. The Sun Filing Persons believe that Caraco's resources (including its managers' time) that have historically been used to meet Caraco's reporting and other obligations arising from its status as a public company will be much better deployed on matters directly related to Caraco's business.

In addition, Caraco will have, following the merger, the ability to more fully benefit from Sun Pharma's and Sun Global's strong financial position and flexibility as well as Sun Pharma's and Sun Global's increased active participation in the management and strategic direction of Caraco. Sun Pharma and Sun Global have historically provided Caraco with, among other resources, equity capital, loans, raw materials, key employees and directors and products for distribution, each of which has supported Caraco's operations and business prospects. With Caraco being 100% owned by Sun Pharma and Sun Global following the merger, the Sun Filing Persons believe that the relationship between Caraco and Sun Pharma and Sun Global will further strengthen and, consequently, significant incremental benefits to Caraco's future business prospects will accrue. Sun Pharma and Sun Global also operate other businesses that are similar to Caraco's, and, once Caraco is wholly owned by Sun Pharma and Sun Global, they will be able to integrate Caraco with its other businesses more effectively and manage Caraco and those businesses more efficiently.

Table of Contents

The Sun Filing Persons determined to pursue the merger over other possible strategic alternatives involving Caraco, such as a sale of shares, in light of the Sun Filing Persons' belief that Caraco's operations and business represent an important strategic fit within their overall corporate group and that the value of their stake in Caraco represents a material component of their value. Accordingly, the Sun Filing Persons' consideration of the circumstances affecting Caraco, including the significant costs, expenses and other burdens associated with being a public company, caused the Sun Filing Persons to conclude that it is appropriate for them to pursue the merger at this time. The determination to proceed with the acquisition of the minority interest in Caraco would also, in the view of the Sun Filing Persons, afford Caraco's unaffiliated stockholders the ability to dispose of their shares of Common Stock at a meaningful premium over market prices prior to the time that the Sun Filing Persons December 3, 2010 proposal was announced. The Sun Filing Persons believe that structuring the transaction as a merger transaction is preferable to other transaction structures because it will enable Sun Pharma and Sun Global to acquire all of the outstanding shares of Common Stock owned by unaffiliated stockholders at the same time.

Effects of the Merger

As a result of the proposed merger, all shares of Common Stock, other than excluded shares, will be converted into the right to receive \$5.25 per share, without interest, will be automatically canceled and retired and will cease to exist.

In addition, the merger agreement provides that each option to purchase Common Stock (whether or not vested or exercisable) that is outstanding as of immediately prior to the effective time will be canceled in exchange for a per share amount in cash equal to the excess, if any, of \$5.25 over the per share exercise price of the option.

Each outstanding share of Common Stock that immediately prior to the effective time is subject to vesting restrictions shall be forfeited without payment of consideration as of the effective time.

At the time the merger becomes effective, each share of common stock of Merger Sub that is issued and outstanding immediately prior to the effective time will be converted into one share of common stock of the surviving corporation.

Sun Pharma and Sun Global, as the owners of Caraco, as the surviving corporation, and its business following the effective time, will be the only beneficiaries of any earnings and growth of Caraco following the proposed merger.

Upon completion of the proposed merger, Common Stock will no longer be traded on the NYSE Amex and will be deregistered under the Exchange Act. Following the merger, Common Stock will no longer be publicly traded.

Table of Contents

Opinion of the Independent Committee's Financial Advisor

The Independent Committee retained William Blair to act as its independent financial advisor and to provide a financial opinion in connection with the merger. William Blair is a nationally recognized firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of strategic combinations and acquisitions. The Independent Committee selected William Blair on the basis of its substantial experience in related transactions, its expertise and reputation, and its familiarity with the generic pharmaceuticals marketplace. On February 21, 2011, William Blair rendered its opinion to the Independent Committee, to the effect that as of such date and based on and subject to the assumptions, qualifications and limitations set forth in the written opinion, the merger consideration to be received by holders of Common Stock (other than Sun Pharma or any of its affiliates) pursuant to the merger agreement is fair, from a financial point of view, to such holders.

The full text of the William Blair Opinion, dated February 21, 2011, is attached as Appendix B to this proxy statement. William Blair urges holders of Common Stock to read the entire opinion carefully to learn about the assumptions made, procedures followed, matters considered and limits on the scope of the review undertaken by William Blair in rendering its opinion. The William Blair Opinion does not address any other aspect of the proposed merger or any related transaction, and does not constitute a recommendation to any stockholder as to how that stockholder should vote with respect to the merger agreement. William Blair did not address the merits of the underlying decision by Caraco to engage in the merger. The following summary of the William Blair Opinion is qualified in its entirety by reference to the full text of the opinion.

In connection with its review of the proposed merger and the preparation of its opinion herein, William Blair examined:

- a draft of the merger agreement dated February 18, 2011;
- audited historical financial statements of Caraco for the years ended March 31, 2008 through March 31, 2010;
- unaudited financial information of Caraco for the nine month periods ended December 31, 2009 and December 31, 2010;
- certain internal business, operating and financial information and forecasts of Caraco for the Fiscal Years ending March 31, 2011 through 2016 prepared by the senior management of Caraco (the "Forecasts");
- certain publicly available business, financial and other information relating to Caraco that William Blair deemed to be relevant;
- current and historical market prices and trading volumes of Caraco's shares;
- the financial position and operating results of Caraco compared with those of certain other publicly traded companies William Blair deemed relevant; and

Table of Contents

- information regarding publicly available financial terms of certain other business combinations William Blair deemed relevant.

William Blair has also held discussions with members of the senior management of Caraco to discuss the foregoing, has considered other matters which William Blair has deemed relevant to its inquiry and has taken into account such accepted financial and investment banking procedures and considerations as William Blair has deemed relevant.

In rendering its opinion, William Blair has assumed and relied, without independent verification, upon the accuracy and completeness of all the information examined by or otherwise reviewed or discussed with it for purposes of this opinion including without limitation the Forecasts provided by senior management. William Blair has not made or obtained an independent valuation or appraisal of the assets, liabilities or solvency of Caraco. William Blair has been advised by the senior management of Caraco that the Forecasts examined by William Blair have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior management of Caraco, as the case may be. In that regard, William Blair has assumed, with the Independent Committee's consent, that, (i) the Forecasts will be achieved in the amounts and at the times contemplated thereby and (ii) all material assets and liabilities (contingent or otherwise) of Caraco are as set forth in Caraco's financial statements or other information made available to William Blair. William Blair expresses no opinion with respect to the Forecasts or the estimates and judgments on which they are based. William Blair did not consider and expresses no opinion as to the amount or nature of the compensation to any of Caraco's officers, directors or employees (or any class of such persons) relative to the compensation to unaffiliated stockholders. William Blair was not requested to, and did not, participate in the negotiation or structuring of the merger nor does its opinion address the relative merits of the merger as compared to any alternative business strategies that might exist for Caraco or the effect of any other transaction in which Caraco might engage. The William Blair Opinion is based upon economic, market, financial and other conditions existing on, and other information disclosed to it as of, February 17, 2011. It should be understood that, although subsequent developments may affect the William Blair Opinion, William Blair does not have any obligation to update, revise or reaffirm the William Blair Opinion. William Blair has relied as to all legal matters on advice of counsel to Caraco and counsel to the Independent Committee, and has assumed that the merger will be consummated substantially on the terms described in the draft merger agreement, without any waiver of any material terms or conditions by Caraco. William Blair was not requested to, nor did it, seek alternative participants for the proposed merger.

The following is a summary of the material financial analyses performed and material factors considered by William Blair to arrive at its opinion. William Blair performed certain procedures, including each of the financial analyses described below, and reviewed with the Independent Committee the assumptions upon which such analyses were based, as well as other factors. Although the summary does not purport to describe all of the analyses performed or factors considered by William Blair in this regard, it does set forth those considered by William Blair to be material in arriving at its opinion.

Selected Public Companies Analysis. William Blair reviewed and analyzed certain financial data of, and calculated selected public market trading metrics for, Caraco and for public companies with businesses that William Blair deemed to be similar to those of Caraco. Given the discrete nature of Caraco's two primary business lines – distribution of third-party products and development and manufacturing of Caraco-owned products – William Blair segmented the 10 selected companies into two separate groups as follows:

Table of Contents

Pharmaceutical Distribution Companies

- AmerisourceBergen Corporation
- Cardinal Health, Inc.
- McKesson Corporation

Generic Pharmaceutical Companies

- Dr. Reddy's Laboratories Ltd
- Lupin Ltd.
- Mylan, Inc.
- Par Pharmaceutical Companies Inc.
- Ranbaxy Laboratories Ltd.
- Teva Pharmaceutical Industries Limited
- Watson Pharmaceuticals Inc.

Among the information William Blair considered was revenue and earnings before interest, taxes, depreciation and amortization (“EBITDA”). William Blair considered the enterprise value of each selected public company, which William Blair defined as the company’s market capitalization plus total debt, less cash and cash equivalents, as a multiple of the revenue and EBITDA of each company for the latest twelve months (“LTM”) for which results were filed with the SEC by each company. The operating results and the corresponding multiples for Caraco and each of the selected public companies were based on each company’s most recent financial information filed with the SEC, closing share prices as of February 17, 2011 and consensus Wall Street analysts’ estimates for calendar years 2010 and 2011, as well as, for Caraco only, Caraco’s senior management’s Forecasts for revenue and EBITDA for Fiscal Years ending March 31, 2011 and 2012, respectively.

William Blair derived Caraco’s enterprise value implied by the proposed merger by multiplying the per share consideration of \$5.25 to be paid pursuant to the merger agreement by the aggregate number of shares and in-the-money options outstanding as of December 31, 2010 and subtracting the related exercise price for the options to arrive at an implied equity value. William Blair then added the amount of total debt less cash and cash equivalents as of December 31, 2010 to arrive at Caraco’s implied enterprise value of \$159.9 million.

William Blair then compared the implied valuation multiples for Caraco to the range of trading multiples for the selected public companies. Information regarding the multiples from William Blair’s analysis of selected publicly traded companies is set forth in the following table.

Table of Contents

| Pharmaceutical Distribution Companies | Selected Public Company Valuation Multiples | | | | | | | | Caraco at \$5.25 per share |
|---|---|---|------|---|------|---|------|---|----------------------------|
| | Median | | Mean | | Min | | Max | | |
| Enterprise Value/LTM Revenue | 0.16 | x | 0.17 | x | 0.13 | x | 0.20 | x | 0.49x (1) |
| Enterprise Value/2010E Revenue (2) | 0.16 | x | 0.17 | x | 0.13 | x | 0.20 | x | 0.52x (3) |
| Enterprise Value/2011P Revenue (2) | 0.15 | x | 0.16 | x | 0.13 | x | 0.19 | x | 0.60x (3) |
| Enterprise Value/LTM EBITDA | 9.3 | x | 9.3 | x | 8.9 | x | 9.6 | x | NMF (4) |
| Enterprise Value/2010E EBITDA (2) | 9.3 | x | 9.3 | x | 8.9 | x | 9.6 | x | NMF (4) |
| Enterprise Value/2011P EBITDA (2) | 8.3 | x | 8.0 | x | 7.4 | x | 8.3 | x | NMF (4) |
| Generic Pharmaceutical Companies | | | | | | | | | |
| Enterprise Value/LTM Revenue | 2.82 | x | 2.71 | x | 1.04 | x | 3.79 | x | 0.49x (1) |
| Enterprise Value/2010E Revenue (2) | 2.82 | x | 2.74 | x | 1.13 | x | 3.79 | x | 0.52x (3) |
| Enterprise Value/2011P Revenue (2) | 2.50 | x | 2.45 | x | 1.30 | x | 3.24 | x | 0.60x (3) |
| Enterprise Value/LTM EBITDA | 12.5 | x | 12.1 | x | 7.0 | x | 16.7 | x | NMF (4) |
| Enterprise Value/2010E EBITDA (2) | 10.2 | x | 11.8 | x | 6.0 | x | 16.7 | x | NMF (4) |
| Enterprise Value/2011P EBITDA (2) | 8.8 | x | 10.7 | x | 5.3 | x | 16.1 | x | NMF (4) |

(1) LTM for Caraco as of December 31, 2010.

(2) Reflects full calendar year Wall Street analysts' consensus estimates for selected companies.

(3) Caraco estimates for 2010E reflect the Fiscal Year ending March 31, 2011. Caraco estimates for 2011P reflect the Fiscal Year ending March 31, 2012.

(4) Caraco EBITDA is negative in all periods presented above.

William Blair also applied a range of revenue multiples of each selected company segment (i.e., Pharmaceutical Distribution Companies or Generic Pharmaceutical Companies) to the revenue of the corresponding Caraco business line to derive, for illustrative comparison purposes, an enterprise value reflecting the sum of Caraco's parts. William Blair selected a reference range of revenue multiples of (i) 0.13x to 0.20x for Caraco's Distributed Products segment and 2.50x to 3.50x for the Caraco-Owned Product segment, and applied these reference ranges of multiples to Caraco's LTM and Fiscal Year 2011 revenue as per the Forecasts and (ii) 0.13x to 0.19x for Caraco's Distributed Products segment and 2.00x to 3.00x for the Caraco-Owned Product segment, and applied these reference ranges of multiples to Caraco's Fiscal Year 2012 revenue as per the Forecasts. Based upon the foregoing reference ranges, William Blair then calculated Caraco's implied enterprise value of \$89.7 million to \$154.8 million, the high-end of which is below

the \$159.9 million enterprise value implied by the proposed merger.

Although William Blair compared the valuation multiples of the selected public companies at the date of its opinion to the Independent Committee, none of the selected public companies is identical to Caraco. Accordingly, any analysis of the selected publicly traded companies necessarily would involve complex considerations and judgments concerning the differences in financial and operating characteristics and other factors, such as the termination of Caraco's marketing and distribution agreements with Sun Pharma and Caraco's Consent Decree entered into with the FDA on September 29, 2009, that would necessarily affect the analysis of trading multiples of the selected publicly companies.

Selected M&A Transactions Analysis. William Blair performed an analysis of selected recent business combinations consisting of transactions announced subsequent to January 1, 2005 involving other companies in the pharmaceutical distribution and generic pharmaceutical segments that it deemed relevant. William Blair's analysis was based solely on publicly available information regarding such transactions. The selected transactions were not intended to be representative of the entire range of possible relevant transactions in the respective segments. The 16 transactions examined were identified by target/acquirer:

Table of Contents

Pharmaceutical Distribution Selected Transactions

- Kinray, Inc. / Cardinal Health.
- Bellco Health / AmerisourceBergen Corporation.
- Activus Healthcare Solutions, Inc. / PSS World Medical, Inc.
- Asenda Pharmaceutical Supplied Ltd. / AmerisourceBergen Canada Corporation.
- Priority Healthcare Group / Express Scripts Inc.
- Trent Drugs (Wholesale) Ltd. / AmerisourceBergen Corporation.
- D&K Healthcare Resources, Inc. / McKesson Corporation.

Generic Pharmaceutical Selected Transactions

- Paddock Laboratories / Perrigo Company.
- Arrow Group Ltd. / Watson Pharmaceuticals, Inc.
- Alpharma Inc. / King Pharmaceuticals.
- Barr Pharmaceuticals / Teva Pharmaceutical Industries, Ltd.
- Bentley Pharmaceuticals, Inc. / Teva Pharmaceutical Industries, Ltd.
- Merck Generic Holdings / Mylan, Inc.
- Actavis Group hf. / Novator.
- Andrx Corporation / Watson Pharmaceuticals, Inc.
- IVAX Corporation / Teva Pharmaceutical Industries, Ltd.

William Blair reviewed the consideration paid in the selected transactions in terms of the enterprise value of the target as a multiple of the target's revenue and EBITDA for the LTM prior to the announcement of the applicable transaction. William Blair compared the resulting range of transaction multiples of revenue and EBITDA for the selected transactions to the implied transaction multiples of Caraco's LTM actual revenue and EBITDA based on the terms of the proposed merger.

Information regarding the multiples from William Blair's analysis of the selected transactions is set forth in the following table

Table of Contents

| Pharmaceutical Distribution Companies | Selected M&A Transaction Valuation Multiples | | | | Caraco at |
|--|--|--------|--------|--------|---------------------|
| | Median | Mean | Min | Max | \$5.25 per share |
| Enterprise Value/LTM Revenue | 0.16 x | 0.31 x | 0.08 x | 0.72 x | 0.49x (1) |
| Enterprise Value/LTM EBITDA (2) | 15.7 x | 15.7 x | 15.3 x | 16.1 x | NMF (2) |
| Generic Pharmaceutical Companies | | | | | |
| Enterprise Value/LTM Revenue | 2.75 x | 2.79 x | 1.51 x | 4.25 x | 0.49x (1) |
| Enterprise Value/LTM EBITDA (2) | 16.0 x | 16.0 x | 9.6 x | 26.4 x | NMF (2) |

(1) LTM for Caraco as of December 31, 2010.

(2) Caraco LTM EBITDA is negative.

William Blair also applied a range of revenue multiples of each selected transaction segment (i.e., Pharmaceutical Distribution Companies or Generic Pharmaceutical Companies) to the revenue of the corresponding Caraco business line to derive, for illustrative comparison purposes, an enterprise value reflecting the sum of Caraco's parts. William Blair selected a reference range of revenue multiples of 0.10x to 0.25x for Caraco's Distributed Products segment and 2.25x to 3.25x for the Caraco-Owned Product segment, and applied these reference ranges of multiples to Caraco's LTM revenue. Based upon the foregoing reference ranges, William Blair then calculated Caraco's implied enterprise value of \$75.6 million to \$141.2 million, the high-end of which is below the \$159.9 million enterprise value implied by the proposed merger.

Although William Blair analyzed the multiples implied by the selected transactions and applied such multiples to Caraco, none of these transactions or associated companies are identical to Caraco. Accordingly, any analysis of the selected transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics, parties involved and terms of their transactions and other factors, such as the termination of Caraco's marketing and distribution agreements with Sun Pharma and Caraco's Consent Decree entered into with the FDA on September 29, 2009, that would necessarily affect the implied multiple for Caraco versus the multiples paid in the selected transactions.

Premiums Paid Analysis. William Blair analyzed domestic public transactions announced since January 1, 2005 with transaction values greater than \$10 million in which 1.0% to 49.9% of the target's equity was acquired with the acquirer owning greater than 50% but less than 99% of the target prior to the transaction. Upon completion of the transaction the acquirer owned 100% of the target. There were 66 such transactions. William Blair compared the price of each transaction to the closing price of the target stock one day, one week, one month, 60 days, 90 days and 180 days prior to the announcement of the transaction. William Blair then compared the range of resulting per share price premiums for the selected transactions to the premiums implied by the merger based on Caraco's closing share prices one day, one week, one month, 60 days, 90 days and 180 days prior to December 3, 2010, the date Caraco received Sun Pharma's initial merger proposal. Information regarding the premiums calculated from William Blair's analysis of selected transactions is set forth in the following table:

Table of Contents

Premium Paid Data Percentile

| Premium to Closing Price Before Announcement Measured as of | Caraco | Premium Paid Data Percentile | | | | | | | | | |
|--|------------------------------|------------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--|
| | at \$5.25 per share | 10th | 20th | 30th | 40th | 50th | 60th | 70th | 80th | 90th | |
| One Day | 15.6 % | (2.9 %) | 6.5 % | 11.0 % | 16.9 % | 24.0 % | 29.1 % | 33.3 % | 41.4 % | 56.8 % | |
| One Week | 12.4 % | (4.8 %) | 6.3 % | 10.5 % | 15.5 % | 22.6 % | 28.7 % | 35.2 % | 44.4 % | 56.7 % | |
| One Month | 13.9 % | (2.4 %) | 5.5 % | 11.6 % | 16.6 % | 21.5 % | 27.1 % | 38.0 % | 45.7 % | 57.0 % | |
| 60 Days | (9.8 %) | (15.5 %) | 5.4 % | 10.5 % | 14.7 % | 18.1 % | 22.8 % | 37.6 % | 47.5 % | 67.2 % | |
| 90 Days | 3.6 % | (17.5 %) | 0.0 % | 0.0 % | 7.7 % | 18.4 % | 24.8 % | 35.8 % | 46.4 % | 63.2 % | |
| 180 Days | 21.2 % | (20.7 %) | 0.8 % | 9.8 % | 19.4 % | 29.8 % | 36.0 % | 52.1 % | 67.4 % | 99.5 % | |

William Blair noted that the premium implied by the terms of the merger exceeded the 10th percentile for the 60 day time period, 30th percentile for the one day, one week, one month and 90 day time periods, and the 40th percentile for the 180 day time period.

In addition, William Blair analyzed domestic public transactions announced since January 1, 2005 with transaction values greater than \$10 million in which 15% to 35% of the target's equity was acquired with the acquirer owning greater than 65% but less than 85% of the target prior to the transaction. Upon completion of the transaction the acquirer owned 100% of the target. There were 26 such transactions. William Blair compared the price of each transaction to the closing price of the target stock one day, one week, one month, 60 days, 90 days and 180 days prior to the announcement of the transaction. William Blair then compared the range of resulting per share price premiums for the selected transactions to the premiums implied by the merger based on Caraco's closing share prices one day, one week, one month, 60 days, 90 days and 180 days prior to December 3, 2010, the date Caraco received Sun Pharma's initial merger proposal. Information regarding the premiums calculated from William Blair's analysis of selected transactions is set forth in the following table:

Premium Paid Data Percentile

| Premium to Closing Price Before Announcement Measured as of | Caraco | Premium Paid Data Percentile | | | | | | | | | |
|---|------------------------------|------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--|
| | at \$5.25 per share | 10th | 20th | 30th | 40th | 50th | 60th | 70th | 80th | 90th | |
| One Day | 15.6 % | (20.0 %) | 6.7 % | 12.1 % | 17.7 % | 24.0 % | 26.3 % | 30.9 % | 37.8 % | 53.6 % | |
| One Week | 12.4 % | (20.0 %) | 8.2 % | 15.0 % | 19.5 % | 24.0 % | 28.6 % | 30.4 % | 40.8 % | 52.7 % | |
| One Month | 13.9 % | (23.7 %) | 0.4 % | 7.9 % | 12.5 % | 17.5 % | 24.2 % | 35.7 % | 45.7 % | 57.0 % | |
| 60 Days | (9.8 %) | (23.8 %) | 0.7 % | 5.7 % | 9.3 % | 13.3 % | 17.6 % | 36.6 % | 44.9 % | 65.1 % | |
| 90 Days | 3.6 % | (28.8 %) | (3.2 %) | 0.0 % | 0.0 % | 12.3 % | 24.5 % | 29.8 % | 39.3 % | 75.7 % | |
| 180 Days | 21.2 % | (12.1 %) | 0.2 % | 8.0 % | 14.8 % | 20.4 % | | | | | |