

CARACO PHARMACEUTICAL LABORATORIES LTD
Form PRER14A
April 18, 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):

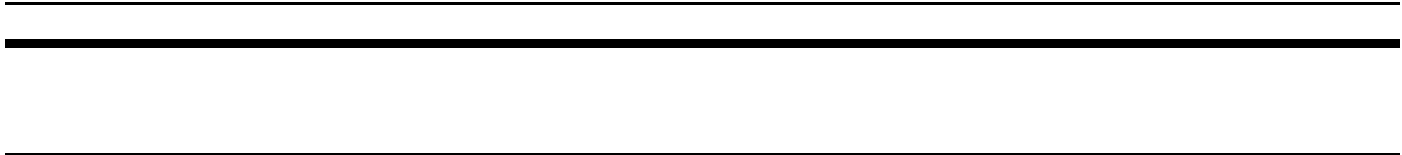
- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-(i)(1) and 0-1.

(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

x Fee paid previously with preliminary materials.

o 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:

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PRELIMINARY COPY - SUBJECT TO COMPLETION – DATED APRIL __, 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, Sun Global and the officers and directors of Caraco); 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 agreement, thereby assuring that the merger agreement will be approved.

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, Sun Global and the officers and directors of Caraco.

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 “Special Factors—Rights of Appraisal” beginning on page 58 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.

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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

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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. 72)

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.

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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. 73)

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. 22)

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 \$120,000 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 \$78,400 in fees at his hourly rate of \$200 for services rendered as Chairman and on behalf of the Independent Committee other than attendance at meetings. The services Mr. Bell has rendered to the Independent Committee, as Chairman of the Independent Committee and on behalf of the Independent Committee, included coordinating the meetings and activities of the Independent Committee; coordinating with Caraco management and reviewing their financial projections and assumptions informing such projections; coordinating with William Blair and reviewing its analysis and assumptions informing such analysis; coordinating with Carrington Coleman and reviewing its activities; and playing an active role in structuring and negotiating the terms of the merger and the merger agreement and preparation of this proxy statement. At the same December 7, 2010 meeting that the Board authorized the Independent Committee to consider, and if deemed appropriate, negotiate the terms of the Sun Proposal (as defined below), the Board of Directors also approved Mr. Bell's compensation for his services as Chairman of and on behalf of the Independent Committee, in the form of an hourly fee. The Independent Committee does not consider that such services affect Mr. Bell's independence. 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.

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