Text of the speech delivered by Mr. Israel Makov, Chairman & Mr. Dilip Shanghvi, Managing Director at the 22nd AGM of Sun Pharmaceutical Industries Ltd., held on Sept 27, 2014 at Vadodara

Mr. Israel Makov

Dear Fellow Shareholders,

On behalf of the Board of Directors, I welcome all of you to the 22nd AGM of your company. Let me start with some of key highlights:

- In a dynamic industry landscape, our overall performance reflects an unwavering focus on consistent growth. During the year, we have been able to enhance our growth momentum, despite a changing regulatory and operating landscape. Our revenues for the year have grown by 42% and EBITDA has grown by 45%.
- Let me spend some time on the proposed Ranbaxy acquisition. In April-2014, we proposed the acquisition of Ranbaxy Laboratories in an all-stock transaction valued at US$ 4 billion. This landmark transaction has the potential to create significant value for shareholders of both the companies in the long-term.
- The merged entity will emerge as the world's 5th largest specialty generic company with strong presence in India, Emerging Markets and the US.
- On a pro-forma basis, the merged company's revenues are estimated at US$ 4.2 billion for calendar year 2013. The overall business will be much more balanced with 47% of sales contributed by the US, 22% coming from India and around 31% coming from the rest of the world and other businesses.
- Your company has a robust track record of turning around its acquisitions into success stories. The Company leverages complementary functional strengths to achieve top line growth and gains through both revenue enhancement and operational synergies, translating into higher margins, greater market share and more profits.
- Ranbaxy is a large and complex acquisition and it will take us a few years to fully realize the above benefits.

- This proposed acquisition is expected to close by end 2014 subject to approvals from Indian Courts and the anti-competition authorities in India and the US.
- I would like to introduce you to Ms. Rekha Sethi, who has been appointed as an additional independent director with effect from February 2014. Ms. Sethi is the Director General of the All India Management Association, India's apex body for management. She had also worked with the Confederation of Indian Industry for over 17 years before joining AIMA. She took charge of AIMA in June 2008. She is a member of the Indo-Netherlands Joint Working Group on Corporate Governance and Corporate Social Responsibility set up by Ministry of Corporate Affairs. She is also a member of the Advisory Board of the Switzerland based St Gallen Foundation Think Tank, Leaders of Tomorrow – Knowledge Pool. Given these credentials, she will be an important addition to our Board.

I'll now list some of the key trends in global pharmaceutical industry:

- As per IMS, the global pharmaceutical market is likely to witness a CAGR of 3-6% over 2012-17, to reach a market value of US$1.2 trillion by 2017. The key growth drivers for future include an increasing shift to the use of generic medicines, accompanied by patent expiries in the US and volume-driven growth in emerging markets. Amongst emerging markets, the high-growth pharmerging markets are expected to record double-digit growth in this period, compared to the low single-digit growth of the global industry.
- As per IMS, the global generic spending on medicines is estimated to grow from US$ 261 billion in 2012 to about US$ 425 billion by 2017. It is likely to reach 36% of total spending by 2017, as against 27% in 2012. Across various markets, governments continue to be concerned about escalating healthcare costs thus often making generics a preferred choice. Overall, we expect this trend to continue to favor generic use which increases the potential of our business.
- Let me briefly talk about some of the key markets:

- As per IMS, the US was the largest pharmaceutical market globally, and it is estimated to grow at a compound annual growth rate of 1-4% to reach US$ 350-380 billion by 2017. Generic medicines continue to dominate volumes in the US market driven by sustained shift towards generic usage and patent expiries. The relatively low share of Indian companies in the US generics market implies good long-term potential. Post the closure of the Ranbaxy acquisition, Sun Pharma will become the largest Indian supplier of pharmaceutical products to the US market.
- The Indian pharmaceutical market is estimated to reach US$ 22-32 billion by 2017 recording a CAGR of 11-14%, establishing it as the 11th largest market by 2017, compared to its 13th position in 2012. Key demand drivers for increased medicine consumption in India include: Rising healthcare spending, Growing incidence of chronic diseases, rapid urbanization leading to better accessibility, increased healthcare awareness and rising per capita income. As India powers into one of the fastest growing economies in the world, we expect this trend to continue.
- Sun Pharma along with Ranbaxy is well positioned to capitalize on these opportunities.

I now request Mr. Dilip Shanghvi our Managing Director to discuss a review of our business and share a summary of our key challenges, opportunities, and steps ahead.

Mr. Dilip Shanghvi – Thank you Mr. Makov.

Let me begin with the overall performance highlights of 2013-14:

- Net sales were Rs 16,080 crore up by 42% year-on-year.
- EBITDA was up by 45% to Rs 7,114 crore.
- Net profit after minority interest grew by 5% to Rs 3,141 crore. Profit growth was lower due to the provision for generic Protonix litigation. Excluding these provisions, net profit would have grown by 59% to Rs 5,659 crore.
- Our business continues to generate healthy cash flows. For 2013-14, net cash-flow from operations grew by 18% to Rs 3,959 crore.

- US was the largest contributor to our revenues, accounting for 60% of consolidated sales. US revenues recorded 59% growth to Rs 9,784 crores.
- Our subsidiary Taro, reported good performance with topline growth of 13% to US$ 759 million, while the net profit surged by 35% to US$ 360 million. Most of the increase is catalyzed by better pricing environment.
- Our India formulations business recorded 25% revenue growth to Rs 3,692 crore despite the implementation of the new pricing policy and related trade channel disruptions. India accounted for about 23% of consolidated sales.
- Our Rest of World sales grew by 25% for the year to Rs 1,908 crore and accounted for about 12% of consolidated revenues.
- API revenues grew by 6% to Rs 801 crore and accounted for about 5% of sales.
- We spent over Rs 1,000 crores on R&D accounting for 6.5% of sales.
- US and India, together accounted for 83% of our turnover. We continue to build on our presence in these two markets, even as we strengthen our approach for emerging markets to the next level.
- Let me talk briefly about our US business:
- We continued to invest in developing and filing complex products and building a differentiated pipeline for the US. We offer a wide product basket in the US, including a prudent mix of normal generics, Para-IV filings and limited competition products. Over the past few years, Sun Pharma has developed or acquired capabilities across a wide range of dosage forms including injectables, nasal sprays, liquids, ointments, tablets and capsules.
- The growth in our US revenues was mainly led by favourable pricing for some products, new launches, full-year consolidation of URL and DUSA acquisitions, the 180-day exclusivity on generic Prandin and a favourable currency.
- Efforts to strengthen Taro's R&D pipeline continues. Its annual R&D spend has increased significantly over the past three years from approximately US$ 30 million to the US$ 55 million for FY14. As of 31st March 2014, Taro had a pipeline of 27 ANDAs pending approval from the US FDA.

- The Company is in the process of gradually increasing the penetration of DUSA's portfolio with US dermatologists. It is also gradually re-launching some of the discontinued products from URL's product basket.
- In the US, the combination with Ranbaxy will result in pro-forma revenues of about US$ 2.2 billion based on 12-months ended December 2013. The merged entity will become No.1 in the generic dermatology market and No. 3 in the branded dermatology market with products to treat Actinic Keratosis, Fungal Infections, Acne and steroids for other treatments.
- Sun Pharma, along with its subsidiaries, currently has 10 US FDA, approved formulation facilities – 5 in the US, 2 in India and one facility each in Canada, Israel and Hungary. This is one of the largest US FDA approved manufacturing infrastructure amongst Indian companies.
- This year, across the company, we filed 27 ANDAs, taking the total ANDAs pending approval to 134 as of 31-Mar-2014. We received 26 ANDA approvals during the year.
- Along with Ranbaxy, the merged entity will have more than 180 ANDAs pending approval with the US FDA. This will be one of the strongest pipelines amongst Indian pharmaceutical companies.
- Post the closure of the financial year, in May 2014, one of Sun Pharma's subsidiaries executed a settlement agreement with Novartis regarding its patent challenge filing for a generic version of Gleevec®. It is indicated for the treatment of chronic myeloid leukemia and has annual sales of about US$ 2 billion in the US market. As per the settlement, Sun Pharma's subsidiary will be able to launch its generic version in the US market in February, 2016.
- The Company has also settled the patent litigation in the US regarding generic Protonix with Pfizer and paid US$ 550 million as part of the settlement. Sun Pharma can continue to sell its generic Protonix in the US.
- Let me now discuss a few important aspects of our India business:
- According to AIOCD-AWACS March-2014 data, Sun Pharma was ranked 2nd with overall market share of 5.4% in the Indian market. We continue to build market

leadership across specialties. We are ranked No.1 by prescriptions with 7 classes of specialists. The Sun Pharma – Ranbaxy merged entity will be ranked no. 1 with 13 classes of specialists doctors.

- The company continues to be a market leader in chronic segments in India. Post the closure of the Ranbaxy acquisition, the Company will have strong positioning in the acute and OTC segments as well, thus expanding its presence across many more therapeutic areas.
- I will now move on to the key highlights of our Rest of World business:
- We continue to be excited about growth opportunities in our Rest of World business, which currently accounts for 12% of turnover. We have a presence with branded prescription products in 48 countries across Asia, Africa, Russia, CIS, and Latin America. Taro brings a footprint in Canada, Israel and some other parts of Europe. A rich product offering, country-relevant strategies, and a focus on execution sets us apart.
- The addition of Ranbaxy's emerging market portfolio is likely to benefit Sun Pharma's presence in these markets. It will also add a few new emerging markets to Sun Pharma's portfolio. On a pro-forma basis, for the 12-months ended December 2013, the merged entity will have a sizeable presence in emerging markets with revenues touching almost US$ 900 million.
- The focus ahead will be on enhancing the Company's presence in key emerging markets led by chronic therapies like the metabolic syndrome, diabetes, neurology and cardiology. Besides, the Company is focusing on expanding its presence to new geographies, organically and through partnerships.
- Our API business continues to be largely used for vertical integration on key products. External sales of APIs account for a fraction of our total API production. The API business accounted for about 5% of turnover last year.
- Moving on to R&D - Last year, we spent more than Rs 1,000 crores or 6.5% of net sales on generic R&D. We continued to increase our commitment towards developing

complex specialty products. As of 31-Mar-2014, on a consolidated level, we had filed over 573 patents of which, about 346 have been approved.

- Amongst recent developments post the closure of the financial year, I would like to highlight two such developments:
- First is the in-licensing of Tildrakizumab, a monoclonal antibody for psoriasis from Merck, USA. This in-licensing deal is an important step towards strengthening our specialty dermatology pipeline. The molecule is currently undergoing Phase-3 trials. We have acquired the global rights for this molecule and in return we will pay US$ 80 million upfront, some milestone based payments and tiered royalty on sales to Merck. While Merck will continue the development of the product and take it to the regulatory approval stage, we will have to fund these activities. Overall, the deal will involve high investments but in return, we can potentially get access to sustainable revenues and profits if the molecule is a commercial success.
- Second development is the acquisition of Pharmalucence, a US-based injectable company. This is a small acquisition mainly directed towards acquiring capabilities in the injectables segment in the US. It also gives us access to the radio-pharma business in the US.
- Now, let me briefly highlight the key challenges for us:
- As we grow our international business, add technically complex products to our business profile, and move to the next growth orbit – regulatory compliance, maintaining quality standards and retaining talent remain critical to our sustained performance.
- Pharmaceutical regulation is evolving rapidly around the world, both in the developed and developing countries. Regulatory agencies continue to raise quality standards, implying that companies will have to continuously improve quality systems and processes to remain complaint. These tightened requirements makes quality and system adherence the topmost priority.
- In May 2014, the Company received a warning letter from the US FDA for its cephalosporin facility located at Karkhadi in Gujarat. This letter was a follow-up to the

import alert issued by the US FDA for this facility in March 2014, identifying some practices at the facility, which were non-compliant with cGMP regulations. The Company remains fully committed to compliance and has already initiated several corrective steps to address the US FDA's observations. The contribution of this facility to Sun Pharma's consolidated revenues is negligible.

And finally a brief on future outlook

We will continue to work towards building a strong company, positioned for success in the world's generic and specialty markets.

We continue to develop innovative and affordable medicines for our patients across the world. Guiding us in achieving this objective is our Board of Directors which brings in significant experience, integrity and accountability. We have a pool of highly skilled and motivated employees which helps us in achieving this objective year after year. I would like to thank both, our Board and our employees for this.

I am also grateful to our other stakeholders including our customers, the local community and various regulators for their constant support.

And lastly, I would like to thank all of you, our shareholders, for the confidence that you have consistently reposed in us.

Thank you.

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