

Text of the speech delivered by Mr. Israel Makov, Chairman at the 27th Annual General Meeting of Sun Pharmaceutical Industries Ltd., held on August 28, 2019 at Vadodara

Dear Fellow Shareholders,

On behalf of the Board of Directors, I welcome all of you to the 27th AGM of your company.

Let me begin with some key highlights of the global pharmaceutical industry:

- The global pharmaceutical market is estimated to reach US\$ 1.5 trillion by 2023, growing at a compounded rate of approximately 3-6%. While new product launches, mainly specialty products, will be the key growth catalyst in developed markets, pharmerging market expansion will be driven by improving per capita income, increasing healthcare awareness, ageing population and rising incidence of chronic ailments.
- The US pharmaceutical market is set to exceed US\$ 625 billion by 2023 recording a CAGR of 4-7%. The key driver of this growth will be launch of new specialty products which will be partly offset by patent expiration and increasing penetration of biosimilars. The US government has been continuously advocating a reduction in overall healthcare spending and may introduce policies that could impact the pharmaceutical industry. As Sun Pharma is present in both the generics as well as in certain specialty segments, it is well positioned to exploit the growth opportunity in the US market.
- The Indian pharmaceutical market is estimated to reach 28-32 billion US\$ by 2023 recording 8-11% compounded growth. This strong growth will be driven by: rising per capita income, changing life-styles, growing incidence of chronic ailments, improving health insurance coverage and increased access to modern medicines driven by rapid urbanization and government's efforts.
- Sun Pharma is strongly positioned to benefit from this opportunity given its leading presence in the Indian market and its strong brand equity with doctors. As per AIOCD-AWACS Report, Sun Pharma is the market leader in India with about 8.2% market share

with a significant lead over competition and the No. 1 ranking by prescriptions in 11 different classes of doctors.

- The overall pharmaceutical spending in pharmerging markets, including India, is estimated to grow at 5-8% CAGR to US\$ 355-385 billion by 2023. Sun Pharma is one of the largest Indian companies operating in these markets and is well positioned to exploit this opportunity.

Let me now discuss our business and review some of our key challenges, opportunities, and steps ahead.

- We continue to focus on growing our global generics business and simultaneously gradually building our global specialty business.
- I will discuss these initiatives in detail later on in my talk.
- But let me first discuss some of the key highlights of fiscal 2018-19:
- Our topline grew by 10% to Rs. 287 Billion driven by steady growth in all markets where we operate.
- In the US, which is the largest contributor to our revenues, we recorded 22% growth for the year.
- Our subsidiary Taro, reported a marginal growth to US\$ 670 million, while its net profit grew by 33% to US\$ 282 million.
- We recorded 8% decline in our India formulations business, however, our adjusted growth, excluding one-offs, was 5%.
- We grew by 11% in emerging markets for the year. This growth was broad-based across various markets.
- Our sales in the Rest of World markets grew by 16% for the year.
- We spent approximately Rs. 20 billion on R&D, which accounted for about 7% of sales. As of 31-March-2019, we had a comprehensive portfolio of 453 approved ANDAs and our pipeline included 118 ANDAs and 8 New Drug Applications pending USFDA approval. During the year we continued to build our specialty product portfolio and identifying promising R&D projects for the generic markets.

Let me now talk about our efforts towards enhancing our presence in the specialty segment:

- We view the specialty business as an important engine of sustainable growth and cash flows over the long term.
- We have allocated significant resources over the past few years for acquiring specialty products, funding their clinical trials and establishing the requisite front-end capabilities. We have now entered the commercialization phase for most of our specialty products.
- The focus areas for our specialty portfolio include dermatology, ophthalmology and oncology.
- Since this business is in development stage, it does not yet generate sufficient revenues to cover our costs, which include our investments recorded in our P&L.
- We crossed many important milestones for our specialty business in 2018-19 with USFDA approvals for four products and commercialization of three products.
- We commercialized Ilumya in the US and Australia during the year and our partner began a phased launch of the product in Europe.
- During the year, we received USFDA approvals for Yonsa and Xelpros which we launched in US, for Cequa which we expect to launch in the current financial year and for Infugem which was commercialized in the US in April 2019.
- We initiated clinical development of new indications for Ilumya which will require front-ended investments. However, a successful outcome of such trials will significantly expand the addressable market for Ilumya globally.
- In all, we now have seven commercialized specialty products in the US market, i.e., Absorica, Levulan, Ilumya, Yonsa, Odomzo, Xelpros and BromSite.

Let me now update you on our initiatives to expand and strengthen our global presence:

- During the year, we strengthened our presence in Japan by acquiring Pola Pharma, a Japanese pharmaceutical company.
- Pola Pharma's portfolio primarily comprises dermatology products and it also has two manufacturing facilities in Japan with capabilities to manufacture topical products and

injectables. This acquisition strengthens Sun Pharma's presence in Japan and accelerates its access to the Japanese dermatology market which can be leveraged for commercializing Ilumya. We have recently filed an application for marketing authorization for Ilumya in Japan.

- We have also announced our entry in to the Chinese market through an in-licensing arrangement with China Medical System Holdings for Ilumya, Cequa and eight generic products.

Let me now update you on our efforts towards global cGMP compliance:

- During the year, Sun Pharma made significant progress towards 24x7 cGMP compliance. Many of its facilities underwent successful audits by multiple regulatory agencies, including the USFDA.
- The USFDA issued the EIR for Halol in June-2018 thus clearing the facility and it has started approving new products filed from this facility.
- We remain committed to 24x7 cGMP compliance. Over the past few years, we have also significantly strengthened our capabilities by recruiting talent with strong expertise in quality and compliance. We have also made improvements to our systems and processes as well as focused on training and automation to ensure cGMP compliance.

Now I will briefly talk about our cost control initiatives:

- The US generics market has become intensely competitive over the past 3 years. As an important player in this market, we continue to focus on optimizing our costs and strive to optimally utilize our resources.
- We are also optimizing our manufacturing footprint to reach a pragmatic balance between current costs and future capacity requirements. We are also critically evaluating our generic R&D investments for seeking projects with a reasonable return on investment.

I am happy to now give you an overall outlook of your Company:

- Our consistent focus is on growing each of our businesses faster than the market in which they operate.
- In the generics business we are focusing on developing differentiated complex generics and optimizing our product pipeline across markets.
- We are also gradually ramping up our specialty business.
- The US psoriasis market was estimated at approximately US\$ 10 billion in 2018 and is expected to grow at 9% CAGR till 2024. The global market for psoriasis was estimated at approximately US\$ 15 billion in 2018 which is likely to grow at 9% CAGR to US\$ 24.6 billion by 2024.
- Ilumya's commercialization across multiple geographies targets this large addressable market.
- With the commercialization of some of our key specialty products in the US, we expect to incur significant branding and promotional costs. R&D investments for funding clinical trials of some of the specialty products are also likely to continue in future.
- Given these factors, we expect a low to mid-teens topline growth in our consolidated revenues for fiscal 2019-20 over reported revenues of last year. Our consolidated R&D investments for the year will be about 8-9% of revenues.
- Your company is fully committed to the highest level of corporate governance and compliance.
- Our talented and committed employees and management team have been the key driver of all the above initiatives and I would like to thank them for their achievements. We are also grateful to our Board of Directors for their guidance and support.
- We are also grateful to our other stakeholders including our customers, the local community and various regulators for their constant support.
- Last but not the least, we thank you, our faithful shareholders and we hope that you will continue to extend your confidence in us in future. Thank you very much.

Sun Pharmaceutical Industries Ltd.
SUN HOUSE, CTS No. 201 B/1,
Western Express Highway, Goregaon (E),
Mumbai 400063, India
Tel.: (91-22) 4324 4324 Fax.: (91-22) 4324 4343
CIN: L24230GJ1993PLC019050
www.sunpharma.com



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