Corporate Participants

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Sun Pharmaceuticals Industries Limited Q2FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nimish Desai. Thank you. And over to you Sir.

Nimish Desai: Good evening and a warm welcome to our second quarter FY15 earnings call. I am Nimish from the Sun Pharma investor relations team. We hope you have received the Q2 financials and the press release that was sent out earlier in the day. These are also available on our website.

We have with us Mr. Dilip Shanghvi – Managing Director, Mr. Sudhir Valia – Whole Time Director and Mr. Abhay Gandhi – CEO of our India business. Today the team will discuss performance highlights, update on strategies and respond to any questions that you may have. As is usual, for ease of discussion we will look at the consolidated financials. Just as a reminder this call is being recorded and a replay will be available for the next few days. The call transcript will also be put on our website shortly.

The discussion today might include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. You are requested to ask two questions in the initial round. If you have more questions you are requested to rejoin the queue. I also request all of you to kindly send in your questions that may remain unanswered today. I will now hand over the call to Mr. Shanghvi.

Dilip S. Shanghvi: Welcome and thank you for joining us for this earnings call after the announcement of financial results for the second quarter of FY15. Let me briefly update you on significant events.

First, an update on the proposed Ranbaxy acquisition. As all of you are aware, we are in the process of obtaining various regulatory approvals for this merger. Till date, we have received clearances from The National Stock Exchange, The Bombay Stock Exchange, shareholders of both companies and competition authorities in all applicable markets excluding US and India.

The process of obtaining the approvals from the Competition Commission of India and the US FTC is on-going. The merger will also require approvals from the Indian courts. While we continue to target the

closure of this transaction by Dec-2014, there may be minor delays to this timeline if any of the pending approvals do not come through by Dec-2014.

During the quarter, we strengthened our specialty pipeline by entering into an exclusive worldwide licensing agreement for Merck's investigational therapeutic antibody candidate, called tildrakizumab. It is an investigational humanized, monoclonal antibody designed to selectively block the cytokine IL-23. To the best of our knowledge, this is the only molecule in the sole IL-23 category currently being evaluated in Phase 3 registration trials for the treatment of chronic plaque psoriasis, a skin ailment.

Under terms of the agreement, Sun Pharma will acquire worldwide rights to tildrakizumab for use in all human indications from Merck in exchange for an upfront payment of US $80 million, milestone payments and tiered royalties. Merck will continue all clinical development and regulatory activities, which will be funded by Sun Pharma.

The other important event during the quarter was the inspection of our Halol facility by US FDA. Post the inspection, the US FDA has made certain observations, for which corrective steps are underway. At this stage, we will be unable to share specific details on these observations and on the subsequent corrective actions being undertaken. We remain committed to achieving 100% compliance.

We continued to enjoy the benefits of low competition for certain generic products in the US. As indicated earlier, these benefits may not be long-lasting. Our subsidiary, Taro, has also highlighted this risk in their recent Q2 conference call.

I will now hand over to Mr. Valia for discussion on the Q2 performance.

Sudhir V. Valia: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q2 financials are already with you. As usual, we will look at key consolidated financials.

For Q2, net sales are at Rs.4,751 crores, an increase of 13% over last year. On constant exchange rate, our revenue growth for Q2 was 15%. Material cost as a percentage of the net sales was 17% which is lower than Q2 last year. Staff cost as a percentage of net sales was at 12%, slightly lower than Q2 last year. Other expenditure as a percentage of net sales was at 25% which is much higher than Q2 last year. The increase is mainly due to expenses related to the Ranbaxy transaction, integration planning and compliance costs. While these costs may continue for some time, they are not permanent in nature.

As a result of the above, the EBITDA for Q2 was at Rs.2,161 crores as compared to Rs.1,828 crores for Q2 last year, a growth of about 18%. EBITDA margins were at 45% compared to 44% for Q2 last year. Net profit was at Rs. 1,572 crores, a growth of 15% over Q2 last year. EPS for the quarter is Rs.7.6, compared to Rs.6.6 that we had earned for Q2 last year.

Now, we will discuss the half year performance. Before we discuss the financials, let me highlight that the US dollar for first half was at a higher rate as compared to last year. The resulting growth in rupee-reported sales and profit on account of that may not be sustainable.

For first half, net sales were at Rs.8,677 crores an increase of 13% over first half last year. On constant exchange rate, our revenue growth for H1 was 12%. Material cost, as a percentage of the net sales was 18% which is higher as compared to H1 last year. The staff cost for the first half was at 13% of the net sales while other expenses were at 24%, both lower than H1 last year.

As a result of the above the EBITDA for the first half was at Rs. 3,885 crores a growth of 16% over the first half last year. EBITDA margins were at 45% for H1 compared to 44% for H1 last year. The first half last year had a one-time provision of Rs. 2,517 crores related to the generic Protonix settlement in US thus reducing net profit to Rs. 86 crore. Adjusted for this provision, the recurring net profit was Rs. 2,963 crores, a growth of 14% over that recorded in the first half of last year. Recurring EPS for the first half was Rs.14.3, compared to EPS of Rs.12.6 last year.

Taro recently reported Q2 FY15 sales of US$ 251 million, up 22% from the corresponding quarter last year. For the first half, sales were US$ 381 million, up by 6% over first half last year. Taro's net profit for Q2 was US$ 143 million, up by 49% over Q2 last year. Net profit for H1FY15 was at US$ 190 million, up by 22% over first half last year. I will now hand over to Abhay Gandhi, who will share the performance of our India business.

Abhay Gandhi: Thank you, Mr. Valia. I will take you through the performance of our India Formulations business. For Q2, sale of branded prescription formulations in India was Rs. 1,152 crores, up by 21% from Q2 last year. For the first half, sales were up 19% to Rs 2,144 crores. As per AIOCD-AWACS report, the average industry growth was approximately 11% for Q2 and 9% for the first half.

As per Sep-2014 AIOCD-AWACS report, Sun Pharma is ranked 2nd and holds 5.4% market share in the Rs.80,000 crores pharmaceutical market. The company continues to be ranked No.1 based on share of

prescriptions with 7 classes of specialists: psychiatrists, neurologists, cardiologists, ophthalmologists, orthopedicians, nephrologists and gastroenterologists.

The long term macroeconomic factors continue to be favorable for the Indian pharmaceutical market. Competition and government mandated price controls are the other key factors which will determine the long term growth trajectory of the market. We continue to find the Indian market as interesting as ever. In this intensely competitive market, we continue to look for innovative ways to differentiate our product portfolio, build customer trust and add prescription share.

Some months back, the NPPA had announced price controls on some non-NLEM products which was opposed by the industry. Subsequently, this provision has been withdrawn by the NPPA. With this I will hand over to Mr. Shanghvi.

Dilip S. Shanghvi: Thank you, Abhay. I will briefly touch upon the performance of our businesses across other segments as well as our overall performance in the US. For Q2, our overall sales in the US were at US$ 481 million, which is higher by 15% despite the loss of generic Prandin exclusivity and a significant decline in Doxycycline sales. The growth has been mainly driven by Taro's performance in the US.

For Q2, formulation sales in the rest of the world market grew by 12% to US$ 89 million in dollar terms over Q2 last year. Excluding Taro's non-US sales, Sun's RoW sales for the quarter grew by 18% in dollar terms.

Our API business has strategic importance for our formulations business. During the quarter, we increased the API supply for captive consumption significantly for key products which enabled us to enjoy the benefits of vertical integration. As a result, external sales of API were flat at Rs. 210 crores in Q2 over last year.

R&D expenditure as percentage of sales was 6.6% both for Q2 and H1. In absolute terms, R&D spending for Q2 was Rs.312 crores and for H1 was Rs. 569 crores. This R&D spending enables development of future product pipeline including differentiated products. We now have a comprehensive product offering in the US market with approved ANDAs for 354 products while filings for 130 products await US FDA approval, including 11 tentative approvals. In the first half, ANDAs for 15 products were

filed and 10 approvals were received. The total number of patent applications submitted now stands at 576 with 346 patents granted so far.

We remain focused on strengthening our existing businesses and developing a differentiated and specialty product basket as well as planning for the Ranbaxy integration. We also continue to review opportunities to expand and strengthen our global footprint. With this I would like to leave the floor open for questions. Thank you.

Moderator: Thank you very much Sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have first question from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal: First question is on Pharmalucence. What kind of contribution this quarter will be having -- can we assume annualized sales of this entity about $50 million or so?

Dilip S. Shanghvi: You should not factor too much business from Pharmalucence.

Anubhav Aggarwal: Second question is about the Merck's psoriasis compound. Just wanted to understand that, what kind of investment may be needed in the Phase-3 trial of about closer to 1,000 patients? And how will we expense it going forward -- all through P&L as it happens?

Dilip S. Shanghvi: Yes, all clinical trial expenses will be expensed through the P&L, and the overall spend including the safety study would be a little bit in excess of US$250 million.

Anubhav Aggarwal: Over what period?

Dilip S. Shanghvi: Over 5 years.

Moderator: We have the next question from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Just again, following on Tildrakizumab, so has the long-term safety profile been established of this compound? You already said that there is a safety study probably planned. This is I am assuming outside the two Phase-3 studies, right?

Dilip S. Shanghvi: The safety study is an extended study and it is outside the two Phase-3 study, or maybe an extension of one of the Phase-3 study. But till the time the product goes through that safety in human, the animal safety is not a surrogate. Only thing we have to keep in mind is that a product which is targeting IL-12 and IL-23 together in one product called Stelara, has undergone a safety study and has been found to be safe and does not have signals like other products which are also used in treatment of psoriasis. So doctors expect this to be a fairly safe product.

Girish Bakhru: Following on that again, actually, if I see there are many competitors who are working in this Interleukin target space. They probably have an arm against Stelara and I did not find if this particular compound has been tested head-to-head against Stelara.

Dilip S. Shanghvi: Generally, you do not do a head-to-head study as the first registration study. You have to get the product approval and after that if you think you that you will get a much more safer profile then you do a head-to-head study. I do not think that people would expect this to be a significantly safer product than Stelara, but Johnson & Johnson has a IL-23 product which is also in clinical development. So it means they think that even though they have Stelara, it makes economic and business sense for them to develop a pure IL-23 product.

Girish Bakhru: So if all goes well in terms of the timelines, you have said this US$250 million over probably five years, what timeframe are you looking for NDA submission?

Dilip S. Shanghvi: I think we have not shared timeline for submission, because the process is being managed by Merck and there are a number of milestones we have to achieve before a filing for a large monoclonal antibody product can be submitted.

Moderator: Thank you. We have next question from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Thanks for taking my question again on Tildrakizumab. Two parts to it – one, just to clarify on this, R&D you said, everything will be expensed, so all the milestone payments will also be expensed? Are you not pretty late to the market in that sense on this compound, because other than Stelara, I think Novartis has already filed, Lily is in the process of filing, they have all completed the Phase-3 successfully, and I think a day back, Amgen and AstraZeneca announced that they have got pretty good results, even superiority to Stelara in one of their Phase-3 arm. So given that situation, what

is the thought process behind in-licensing this molecule - is this just to sort of get a peek into the whole development process?

Dilip S. Shanghvi: We believe that this is an interesting and a fairly attractive opportunity for us to get into, and it strengthens our global presence in Dermatology business. On the milestone payments, I talked about clinical cost, which will be expensed through the P&L. We do not want to share anything material on this, beyond what we have already shared.

Moderator: Thank you. We have the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: First on our US business, if I just do an exclusion of Taro. We had mentioned there were some one-off sales in the first quarter, so the quarter-on-quarter decline is expected, but some of our peers have seen some impact on channel consolidation and pricing erosion because of that. Would you like to comment, did we see any impact at all in the quarter because of that?

Uday Baldota: This is regarding Taro specific?

Neha Manpuria: No, for Sun Pharma specifically, ex-Taro?

Uday Baldota: In terms of product price erosion?

Neha Manpuria: Yes, price erosion, because of channel consolidation?

Uday Baldota: I do not think quarter-on-quarter the trend is so visible that something needs to be really reported separately. Generally speaking the consolidation that is happening will ultimately create an issue for all manufacturers where I think they will face a pricing pressure in addition to the competition. But I do not think there is any specific trend within the quarter that we see and that we need to mention separately.

Neha Manpuria: Second question on our ROW business. Again, last quarter you mentioned some supply-side issues that we are trying to work through. Is that done -- should we see the trend improving for this business going forward?

Dilip S. Shanghvi: It is clearly improved, and that is reflected in sales, hopefully, within the next few months things should be streamlined.

Moderator: Thank you. We have the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Sir, I am not quite sure I fully understood, taking up from the previous participants on Tildrakizumab despite these three, four other lead compounds. On our product, where it would create value? What is the differentiation? Any thoughts would be very helpful?

Dilip S. Shanghvi: If you look at the size of the market today, that is in excess of US$6 -7 billion for the psoriasis indication. Now, if you see the initial readouts on Phase-2 results both for our product as well as the IL-17 of Novartis, then they have significant better outcome in terms of PASI scores. So I believe that IL-23 would be a much safer product than all of the TNF antibodies with a better clinical outcome. So we have opportunity to get a share of the market for patients who do not respond to the TNF products and that is fairly large number. IL-17 is a new class of product and regarding this there are a few signals which are not very clear in the clinical data which is in public domain. Finally, I think Johnson & Johnson, which already has a IL-12, IL-23 combination product in Stelara is developing IL-23 product on its own. So logically if they do not see an opportunity for that product, then they should not be developing the product. So we believe that there is enough value both in terms of efficacy and in terms of safety for us to be able to use this as a key strategy for developing a global dermatologic product.

Sameer Baisiwala: How does our IL-23 compare with J&J's IL-23?

Dilip S. Shanghvi: Difficult to respond, because I think there are very little comparable statistics which will allow us to respond to that.

Sameer Baisiwala: So you have narrowed it down from so many competitors from maybe just a couple of them being there?

Dilip S. Shanghvi: We believe that we have reasonable understanding of Dermatology business in the US. So this will give us an opportunity to leverage that understanding and relationship to build a much more robust business.

Sameer Baisiwala: Second question also again related to this product. You mentioned US$250 million clinical trials. My understanding is these two Phase-3 clinical trials, 2,000 patients would probably be ending in next couple of years while the safety studies may go on for five years. So is US$250 million a bulk of it all upfront? Second point is on US$80 million that you have paid upfront, would you also be expensing that?

Dilip S. Shanghvi: The upfront payment will not be expensed, it would be amortized while the R&D expenses would be charged to P&L, and this is money that we pay as the cost of the trial continues, so it is not upfront payment, we pay for the studies.

Sameer Baisiwala: First part is US$250 million a lot more upfront rather than going on beyond two years?

Dilip S. Shanghvi: You mean how the money will be spent?

Sameer Baisiwala: In the sense that it is not US$50 million per year, it is maybe 100, 100 and then a little bit later on.

Dilip S. Shanghvi: I do not think I want to share that level of granular information.

Moderator: Thank you. We have the next question from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: Sir, wanted to understand your comment on other expenses which has seen a jump because of Ranbaxy-related integration, compliance and regulatory. But is it solely the reason or there are other reasons where we are increasing our field force somewhere or there are other reasons, because this is a sharp jump, could you explain that?

Dilip S. Shanghvi: I think what we have highlighted are the major components of the increase.

Prakash Agarwal: So is it fair to understand this run rate could continue and this will come down once Ranbaxy deal is done?

Dilip S. Shanghvi: It may even continue post closure of Ranbaxy merger just because we need to continue to invest for integration-related costs but it will start getting offset by potential synergy benefits.

Prakash Agarwal: But what I am unable to understand is regulatory we understand there would be costs, but integration-related costs before the integration if you could just indicate what all the things are we doing?

Dilip S. Shanghvi: We will not be able to detail out where money is spent, how money is spent.

Prakash Agarwal: Secondly, you mentioned that there has been some drop in Doxycycline and Prandin also, and that is the prior reason of YoY muted performance ex-Taro. Just wanted some color on QoQ side. Have you also started seeing some pressure on Doxil or are we okay? And also, you said not much impact on channel consolidation but would it be fair to say that there has been some price uptick in across the product portfolio?

Dilip S. Shanghvi: I request you to please join the queue because I think there are others who would also like to ask questions, please.

Moderator: We have the next question from the line of Surya Patra from Phillip Capital Private Limited. Please go ahead.

Surya Patra: Just a clarification, the observation regards to Taro numbers is that, the second quarter and third quarter normally are the strongest contributor and even the margin profile during these quarters are much better than the other two. So whether any cyclicality is there in that business or that is a period when normally they take the price hike?

Dilip S. Shanghvi: I do not think we have studied at a level of granularity, but general concept in US is that because of the holidays, the wholesalers are not sure as to normal operations for first one to two weeks, so people buy slightly larger quantity at the end of the year in December.

Surya Patra: Otherwise there is no cyclicality as such?

Dilip S. Shanghvi: I do not think so.

Surya Patra: Regards again the US business, excluding Taro, since we have indicated that there was no major impact of this channel consolidation in our base business, so is it possible to give some sense about what is the second half will look like compared to H1 for your US business?

Dilip S. Shanghvi: No, we will not be able to give that level of company-specific information.

Surya Patra: Just one clarification, for the new MAb molecules what you have taken, it is only one psoriasis indication that you would be working or there are multiple indications also possible for the same molecule?

Dilip S. Shanghvi: As of today, the focus is to develop it for psoriasis.

Surya Patra: And US$250 million what you indicated, this is for the single indication?

Dilip S. Shanghvi: Only for one indication.

Moderator: We have next question from the line of Manoj Garg from Bank of America. Please go ahead.

Manoj Garg: Mr. Shanghvi, you have indicated in Taro call that you will start seeing a very good positive impact of DUSA in the current year. So is it fair to assume that the DUSA has started contributing meaningfully for us in the US? Like you said that we have made significant improvement in DUSA and probably the results will start showing in FY16. And there was a comment or remarks during the Taro call.

Dilip S. Shanghvi: All that is factored in our guidance.

Manoj Garg: Second thing like in the Q4, we have concluded that agreement of $400 million kind of contract manufacturing agreement. Have we started supplying out for that contract and in which line item we are showing that sales?

Sudhir Valia: We are in the process of doing the same.

Manoj Garg: So we have not started yet?

Sudhir Valia: Yes.

Moderator: We have next question from the line of Vivek Agarwal from Sunidhi Securities. Please go ahead.

Vivek Agarwal: Complex and technology-based injectables are being considered one of the most lucrative space in US Generics and Sun Pharma is very well ahead in this space. I just want to understand, how this is going to play for Sun Pharma say over the next one or two years or is it just a long-term story?

Dilip S. Shanghvi: I think ultimately if you have a product with less competition, you can get bigger market share and preserve pricing.

Vivek Agarwal: Are you expecting some product approvals over the next year?

Dilip S. Shanghvi: We of course expect approvals.

Moderator: Thank you. We have the next question from the line of Kartik Mehta from ICICI Securities. Please go ahead.

Kartik Mehta: Can you throw some light on the income tax rate? If I look at the tax rate ex of Taro, it is actually less than 5%.

Dilip S. Shanghvi: We give general guidance for overall tax rate and our guidance is for a number similar to last year.

Kartik Mehta: As we expense more R&D, will the tax rate actually go down, sir?

Sudhir Valia: Not really much, marginally.

Moderator: Thank you. We have next question from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma: Wanted to know if part of the license upfront payment has been amortized in the current quarter?

Sudhir Valia: No.

Rahul Sharma: Okay. Secondly, we had given guidance on R&D of 6-8%. So the US$250 million will be above 8% or can we keep it between 6% and 8% would be a good assumption?

Dilip S. Shanghvi: We are currently at around 6%, and as we have explained this US$250 million will be spent over a period of time. So next year's guidance will factor the cost of R&D for next year. This year it will take us up from 6% to a slightly higher number.

Rahul Sharma: Currently, we are doing around 6% odd. How will the expensing out take place over the next two to three years?

Dilip S. Shanghvi: We cannot give you guidance for two to three years. This year there would be some increased cost in this quarter which is the current quarter and the next quarter, but still in our opinion not take us beyond the 8% guidance that we have given you. For next year's expenses, we will give you a new guidance.

Moderator: We have the next question from the line of Aditya Khemka from Ambit Capital please go ahead.

Aditya Khemka: Sir, on the US market, sequentially speaking, we seem to have lost ex-Taro roughly about US$25-30 million in sales, the sales have declined. So, basically my question is, is it largely a couple of products which are leading to that decline or is it a more broadly product portfolio-based decline that we have seen? I understand Cymbalta has gone off exclusivity, so that might have had an impact. But beyond that, is it more products are also contributing to the sequential decline in US sales?

Dilip S. Shanghvi: We do not have Prandin exclusivity during this quarter, and there is a reduction in the Doxycycline sales. If there is something which is material we will share it with you.

Aditya Khemka: Just a clarification on that comment, so there is material decline in Doxycycline sales quarter-on-quarter compared to 1Q Vs 2Q?

Dilip S. Shanghvi: Over Q2FY14, that is the comparison that we have given, we do not actually break out details on sequential quarter.

Aditya Khemka: Second question is on other expenses. I understand again Ranbaxy acquisition cost that as you mentioned. But just on the quantum of the sale, 1Q, we reported Rs.870 crores, this quarter

we are at Rs.1,200 crores, so something like Rs.330 crores of cost per quarter. Could you just throw some more light on what the specific areas of that acquisition are you spending on? Have we had consultants whom you are paying to sort of get the acquisition integrated or is it a legal cost in terms of getting the approvals from the Competition Commission, what exactly is there in such a large amount on our other expenses that will be helpful?

Uday Baldota: Just to understand, you are referring to the change in the other expenditure?

Aditya Khemka: Yes, change in other expenditure sequentially, so that is up above Rs.330 crores quarter-on-quarter.

Uday Baldota: There three main drivers. One is of course the transaction related cost, I think the other is about planning for the integration, and third is the compliance-related cost. I think these three are the main drivers of that change, I do not think we are going further into granularity as to which one is contributing how much.

Aditya Khemka: I understand that sir, but just that the quantum of these three costs put together worries me a little, because the amount and the fact that you are saying it is going to be recurring. I am just having a tough time sort of understanding which of this head should be the majority of the expense, if you could just add some more color for better understanding that is all.

Uday Baldota: We will not be able to give further details.

Moderator: We have next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: This is related to SPARC to the extent that you can answer, that Latanoprost BAK-free was filed if I remember correctly was early part of this year and we are closing 11 months. So, has there been any communication from FDA, should we expect any news in a short order of time?

Dilip S. Shanghvi: The timeline you are indicating related to PDUFA timeline is correct. So, once we have greater clarity as to what US FDA's response will be, we will be able to share that with you.

Sameer Baisiwala: Second question is related to, a few months back there were 2 DMF filings, I think they was slightly noteworthy one was Octreotide, the other was Leuprolide, I know you do not talk

about products but given these can be important opportunities are these related to the products which are already in the market that you have, which is the lower strength, or is it about are we getting closer to the higher strength more lucrative opportunities.

Dilip S. Shanghvi: We will not be able to give further details.

Moderator: We have the next question from the line of Shashikiran Rao from Standard Chartered Securities. Please go ahead.

Shashikiran Rao: Can you give a little more color on Ranbaxy approvals, especially in the Competition Commission in India and in US and what stage of the process it is, and have you received any comments that you can share with us, it will help me?

Uday Baldota: We are waiting to hear from the Commission. I think the progress is ongoing. At this stage I do not think we will be able to give anything specific.

Dilip S. Shanghvi: Thank you. We have the next question from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal: Uday, a couple of clarifications below EBITDA line. First one, the interest cost. Very high this quarter versus the run rate we have been running for last four quarters. And did you pay down the debt at the end of the quarter? Couple of clarity on the interest cost.

Uday Baldota: That is true.

Anubhav Aggarwal: But why that cost is so high this quarter? Almost Rs.24 crores Vs Rs.6 crores, what you were running for last three, four quarters.

Uday Baldota: I think there is some amount of intra-group borrowing, which is resulting into an foreign exchange impact that is also getting captured in the finance cost.

Anubhav Aggarwal: Second is a clarity regarding the other income in your report. So Taro reported a US$6.1 million FOREX gain. I am assuming that will be captured in the other income which you are recording. And the level which is recorded for other income it is Rs.52 crores whereas Taro itself

reported $6 million gain. So I am confused that you did not report any interest income this quarter or the MTM loss was so high that we hardly saw anything from Sun Pharma this quarter?

Uday Baldota: Probably your assumption is correct.

Anubhav Aggarwal: But why would you have any MTM loss? The currency has been depreciating right for last three quarters. How do you get MTM losses on hedges?

Uday Baldota: I think there are transactions on which we have that loss.

Anubhav Aggarwal: These are not on hedges, but on transactions?

Uday Baldota: It includes everything.

Moderator: We have the next question from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: I have one clarification on the receivables. They seem to have gone up quite substantially. Is there anything there sir that you would like to highlight?

Uday Baldota: The increase in receivables is largely on account of Taro, if you see the Taro receivables have also increased quite dramatically.

Saion Mukherjee: Yes, even excluding that it seems to be on the higher side. Is there any payment issues, delays that you are seeing?

Uday Baldota: Nothing specific.

Saion Mukherjee: What is your take on US FDA approval timeline -- are you seeing significant delays from the FDA versus your expectation, do you agree with that assessment?

Dilip S. Shanghvi: It is an industry phenomena, not specific to Sun Pharma.

Saion Mukherjee: Has it increased substantially sir over the last one year you think?

Dilip S. Shanghvi: It is difficult to give you a response on a comparative basis, but I think FDA's focus is to meet the timelines for products which are being filed now.

Saion Mukherjee: The older products are facing delays then?

Dilip S. Shanghvi: Might face delays, but we do not know.

Moderator: We have the next question from the line of Nitin Agarwal from IDFC. Please go ahead.

Nitin Agarwal: On your IL-23, just want to get your view on the reimbursement situation, because if I get it right, even for Stelara, reimbursement is allowed only to some of the initial TNF-alpha, there is a case for failure against those compounds. How do you see the reimbursement environment playing out by the time a molecule comes in?

Dilip S. Shanghvi: It is difficult to predict reimbursement environment today at this point, we have to see the competitive scenario by the launch time, and we have to see by that time if there are generics to some of the existing biologics, what kind of market share they get, what is the formulary response to those things.

Nitin Agarwal: But, prima facie, could it be a challenge that we can probably foresee which can sort of come about by the time we come into the market as you mentioned in terms of Generics coming through, and this whole focus on cutting costs. I guess presumably these newer agents would be expensive treatments?

Dilip S. Shanghvi: There are positives and negatives. IL-23 is a once-a-quarter injection instead of much more frequent injections required for other products, but any new differentiated and superior product will be at a premium, so we believe that after factoring all these challenges in terms of reimbursement, generic competition, and introduction of other products in the same therapeutic area, there is an attractive opportunity for us to develop this product.

Moderator: Thank you. We have next question from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: Sir, if you could comment on generic Doxil competitive environment, as you said, as of now the erosion is not being material?

Dilip S. Shanghvi: I said that for Doxycycline, we have seen competitive environment, I did not say anything related to generic Doxil.

Prakash Agarwal: Yes, so if you could share some thoughts on generic Doxil, how is the product doing for us and what is the competitive environment going forward, sir?

Dilip S. Shanghvi: There is no change in the marketplace. Johnson & Johnson continues to be present, because they get batch-to-batch approval, and we also continue to sell.

Prakash Agarwal: Your thoughts on Gleevec, where we have a settlement, we see Apotex also having a tentative approval. How should we read this?

Dilip S. Shanghvi: We cannot respond to what will happen to Apotex.

Prakash Agarwal: On depreciation we have seen a jump quarter-on-quarter. So…

Sudhir Valia: The accounting requirement needs us to do that.

Prakash Agarwal: But that started from the April to June quarter which was lower. And this is like a little more spike QoQ, if you could highlight why?

Uday Baldota: Partly due facilities coming online and partly due to Pharmalucence acquisition.

Moderator: That was the last question from the participants that we have taken. I hand over the conference back to Mr. Nimish Desai for his closing remarks. Over to you, Sir.

Nimish Desai: Thank you, everybody for joining us on this call. If any of your questions have remained unanswered I request that you please send them over.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Sun Pharmaceuticals Industries Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.