



Corporate Participants

Dilip Shanghvi

Managing Director, Sun Pharmaceutical Industries Ltd.

Sudhir Valia

Whole time Director, Sun Pharmaceutical Industries Ltd.

Abhay Gandhi

President -Marketing, Sun Pharmaceutical Industries Ltd.



Moderator: Ladies and gentlemen, good day and welcome to the Sun Pharmaceutical's Q14FY14 Earnings Conference Call. As a reminder, all participants' 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 please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nimish Desai.

Nimish Desai: Good evening and a warm welcome to our first quarter FY14 earnings call. I am Nimish from the Sun Pharma Investor Relations team. We hope you received the Q1 financial and the press release that was sent out earlier in the day. These are also available on our website. We have with us this evening, Mr. Dilip Shanghvi – Managing Director; Mr. Sudhir Valia – Whole Time Director; and Mr. Abhay Gandhi – President. Today, they will discuss performance highlights, update on strategies and respond to any questions that you may have. As is usual, for the ease of discussion, we will look at 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 up on the website shortly. The discussion today might include certain forward-looking statements and this must be viewed in conjunction with the risks that our business faces. I request you to restrict yourself to two questions. If you have any more questions, I request you that you 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 Shanghvi: Welcome and thank you for joining us this evening for the earnings call after the announcement of financial results for the first quarter of 2013-14. Let me briefly update you on significant events during the quarter. In June 2013, the US Federal Circuit ruled in favor of Caraco in the Generic Prandin litigation against Novo Nordisk. With this ruling, we have successfully invalidated Novo's patent. Post the quarter closing, Caraco received the US FDA approval for the product. Given its first-to-file status Caraco is entitled to 180-day exclusivity. Caraco has already launched the product. We continue to enjoy the benefits of favorable pricing for certain generic products in the US. As indicated earlier, these benefits may not be long-lasting. Taro has recently indicated the entry of competition of its flagship product Nystatin-Triamcinolone combination. In June 2013, we announced the settlement of our ongoing litigation for generic Protonix. As a part of the settlement, Sun Pharma will pay a lump sum of US\$550 million to Pfizer and this will be a one-time cost for us. Sun Pharma can continue to sell its generic Protonix in the US. I will now hand over to Mr. Valia for discussion on the Q1 performance.

Sudhir Valia: Good evening everyone and welcome to all of you. Our Q1 financials are already with you.

Before we discuss the financials, let me highlight that the US dollar was at a slightly higher rate this quarter as compared to same quarter last year. The resulting growth in rupee-reported sales and profit on account of that may not be sustainable. We would like to request you to take care when you compare Q1 performance with that of the previous year. As usual, we will look at key consolidated financials.

Q1 net sales are at Rs.3482 crores an increase of 31% over last year. Adjusted for the impact of one-time sales recorded in the domestic business in Q4FY12, which lowered Q1FY13 sales, the net sales have grown by 23% over Q1FY13.



Material cost as a percentage of the net sales is 15%, lower than Q1 last year, primarily on account of better product-mix, which we expect to normalize during the year. Staff costs as a percentage of the net sales were at 15%, higher than Q1 last year. The increase is driven mainly by consolidation of the DUSA and URL acquisitions. Other expenditure as a percentage of net sales is at 27%, higher than that of Q1 last year. This is due to bunching of certain expenses in the quarter and is likely to normalize over the coming quarters.

As a result of the above, the EBITDA recorded in Q1 is Rs.1531 crores as compared to Rs.1217 crores for Q1 last year, a growth of about 26%. EBITDA margins were at 44% for Q1 compared to 46% for Q1 last year.

The tax rate for Q1FY14 has been on the lower side compared to our initial assessment. We expect the overall tax rate for FY14 to be around 15%.

As a result, adjusted net profit for Q1 was Rs. 1241 crores registering a growth of 56% over Q1 of last year. On post-bonus basis, adjusted EPS is Rs.6, compared to Rs.3.8 that we had earned for Q1 last year. On reported basis, we recorded a net loss of Rs. 1276 crores mainly due to the one-time charge of Rs. 2517 crores towards the settlement of generic Protonix litigation in the US.

Taro recently posted Q1 FY14 sales of US\$ 153 million, down 4% from the corresponding quarter last year. The revenue decline is mainly due to charges taken to meet contractual obligations associated with price adjustments made in the quarter. Excluding this, Taro's sales would have grown by 10% YoY. Taro's Net profit for Q1 was US\$ 59 million.

I will now hand over to Abhay Gandhi, who will share the performance of our Indian business.

Abhay Gandhi: Good evening everybody. I will take you through our India Formulations business. Sales for Q1 were at Rs. 849 crores recording a growth of 44% YoY on a low base. If you adjust for the extra sales which we had done in Q4 FY12, which in turn lowered Q1FY13 sales, then the adjusted sales growth of the domestic formulation business is 11% for the quarter.

This quarter is the transition quarter as far as the implementation of the new pharma policy is concerned. This quarter also witnessed the adverse impact of the strike by trade in the state of Maharashtra and the suspension on sale of Pioglitazone formulations which has subsequently been withdrawn.

As per June-2013 AIOCD-AWACS report, Sun Pharma is ranked 2nd and holds 5.1% market share in the Rs.72,000 crores pharmaceutical market. Based on SMSRC data for Feb-2013, 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.

10 products were launched during the quarter.

The company has completed the process of transferring its domestic formulations business to Sun Pharma Laboratories Ltd., a wholly owned subsidiary.



Despite the implementation of the new pricing policy, we continue to find the Indian market as interesting and as competitive as ever. In this intensely competitive market, with new entrants coming into the market almost every quarter, we continue to look for innovative ways to differentiate our product portfolio, build customer trust and add prescription share.

With this I will hand over to Dilipbhai.

Dilip Shanghvi: I will briefly touch upon the performance of our businesses across other segments as well as our overall performance in the US. For Q1, our overall sales in the US were at US\$364 million, which is higher by almost 28%. This quarter includes revenue contribution from DUSA and URL which were not part of the company in Q1 last year. To that extent the numbers are not strictly comparable on YoY basis.

Both DUSA and URL have performed above our expectations for the quarter, favourably impacting our gross margins. However, we expect margins to normalize in future.

Formulation sales in the rest of the world market accounted for US\$81 million in Q1 registering a growth of 19% in dollar terms over Q1 last year. And excluding Taro's non-US sales, Sun's RoW sales for the quarter were up by 23% in dollar terms.

While our API business declined marginally for the quarter, we expect the business to grow for the year. Most of the API we produce is used in-house, and the rest is sold to end users in the developed markets.

R&D expenditure for Q1 was Rs.205 crores at 6% of sales. This generic R&D spending enables development of future product pipeline including differentiated products.

In Q1, ANDAs for 4 products were filed, while we received 9 approvals from the US FDA. We now have 320 ANDAs approved for a total of 453 products filed with US FDA, and ANDAs for 133 products await approval. On a consolidated basis, we now have 791 patent filings with 503 granted patents.

In all, this has been a good quarter. With this I would like to leave the floor open for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Anubhav Aggarwal of Credit Suisse. Please go ahead.

Anubhav Aggarwal: My first question is on the US sales. If you see the sequential increase in sales ex-Taro, would you say that increase is largely driven by ramp-up of the products which were there till March quarter or was it driven by the launch of the new product? I know it is a combination, but what would you be like largely contributing it to?

Dilip Shanghvi: I think as I explained there is impact of good performance from URL as well as DUSA which were not there in the previous quarter and we see improvement in all products including some new products that we would have introduced in the existing Sun product pipeline.



Anubhav Aggarwal: My reference was the March quarter, not the June '12 quarter, March 2013 quarter versus this quarter, where DUSA and URL both were present?

Uday Baldota: URL was only for part of the quarter.

Anubhav Aggarwal: You are largely saying that the contribution from the new product would have been low this quarter?

Dilip Shanghvi: No, what I think, Anubhav, I have indicated is that there is a significantly high performance both in DUSA and URL, which may not continue at the same pace. I do not want this to form a basis for future projections.

Anubhav Aggarwal: My second question is on Doxil. Now, your generic is available post your approval in Feb 2013, and of course it is at a discount to the innovator's drug. I am slightly worried; of course, this is all indicated by IMS numbers. IMS indicate that your market share roughly is about 50%. This is a very peculiar situation where only one generic is available with only 50% market share. Can you explain that? Is it due to the fact that the price difference what you have versus the branded drug is very low, could that be a reason?

Dilip Shanghvi: That may be one of the reasons.

Anubhav Aggarwal: But other than that, any other thing? I have not seen it ever.

Dilip Shanghvi: No, I understand, I think there would be a certain complexity in terms of payers to switch supplies. So we are not fully cognizant of all the dynamics involved. We will continue to work towards gaining market share. At the same time we also have to keep in mind that it is important for Johnson & Johnson also to treat this as an important product and continue to promote it. So if we take away the full market, they may actually not find it attractive to promote.

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

Sameer Baisiwala: For Nystatin, a couple of months back Sandoz had entered into the market and for Doxycycline also West-Ward/Hikma has been around for 2-3 months. Do you think that if you consider just the active players in both these product markets, has the market now stabilized?

Dilip Shanghvi: Difficult to predict because while we may say that supply position may have stabilized but also I think because of the significant change in the price, many of the payers would also look at less expensive options, so we would see erosion in volume.

Sameer Baisiwala: But within the active payers, you think the dynamics are more or less settled down?

Dilip Shanghvi: As long as nothing changes. But if something changes a new equilibrium is established.



Sameer Baisiwala: And just referring to your comment in the press release where you were talking about the company focusing on developing differentiated and specialty-driven businesses. Is it possible for you to share some more details on this? What technology platforms or what product categories that you had in mind, when you said this?

Dilip Shanghvi: I think generally when I say differentiated; my view is products in which we are not expecting too much competition without going into specifics of technology or the kind of products, so that we have a relatively stable and consistent cash flow and sales.

Sameer Baisiwala: Just as an extension of the same question, would you be able to confirm that you have got few nasal sprays and auto-injectors which are already filed with the FDA?

Dilip Shanghvi: You do not expect me to answer this.

Moderator: Thank you. The next question is from Girish Bakhru of HSBC. Please go ahead.

Girish Bakhru: Just following up on the Doxil question, J&J has hired a contract manufacturer, so I mean one would assume that probably their supply should normalize. If the brand gets promoted from their side, would that change the dynamics for Lipodox per se and where would you say the market overall will move?

Dilip Shanghvi: It is difficult for me to predict how the market will move and whether Johnson & Johnson will get stabilized with the new supplier, because as on today I do not think the new supplier is yet approved by the FDA but there is continued supply of the J&J product in the market. So my sense is they have enough inventories in the system.

Girish Bakhru: And just looking at where US run rate has been, you said that some of these price increases in say Sun parent or URL portfolio may not be sustainable. Do you think an acquisition is necessary for growth in FY15 say if you were to do 20% growth sustainable on the US front?

Dilip Shanghvi: Philosophically I actually want to create an organization and business which does not need to depend on acquisition to grow. So whatever we do, we should be able to grow our business organically. Anything that we buy should add to that growth.

Girish Bakhru: In terms of the products, would you have say visibility on per se the products that you have currently, to give you that kind of confidence that this kind of run rate in US may be sustainable for say next two years as well without any major acquisitions?

Dilip Shanghvi: Generally we have never given projections beyond this year's projection because of all of these uncertainties. We feel reasonably comfortable with our guidance this year, but since we have not given guidance for next year, it is difficult for me to comment. But our approach is to create a stable and sustainable growth engine.

Moderator: Thank you. The next question is from the line of Prakash Agarwal of CIMB.



Prakash Agarwal: A question on shortages in injectables. We have seen Hospira, another large player Fresenius Kabi having recalls. We are into quite a few injectables. Can we expect some fast-track approvals?

Dilip Shanghvi: I believe that Lipodox or Liposomal Doxorubicin was a fast track approval. And if we have a filing for a product in shortage, then we would get a faster approval, generally.

Prakash Agarwal: I understand that. But would it be fair to say that there is a good possibility of getting those in fiscal 2014?

Dilip Shanghvi: I have not actually done analysis of the filings that we as to how many are in shortages.

Prakash Agarwal: If we see other costs as a percentage to sales is around 21% versus in the past if we see they have been upwards of 25%. So is there any initiative of cost control on the other expenses side and the staff cost increases 40%, so is that the new base?

Uday Baldota: I think Mr. Valia explained when he was explaining the financials. The staff cost increase is primarily...

Sudhir Valia: Mainly on account of DUSA and URL.

Prakash Agarwal: That we saw last quarter as well, right.

Sudhir Valia: Partially it was.

Uday Baldota: You are comparing Q1 of last year with Q1 of this year?

Prakash Agarwal: No, no, 4Q versus this quarter. So it was Rs 440 crores and now it is Rs 500 crores.

Sudhir Valia: It was for part of quarter in 4Q.

Prakash Agarwal: And any initiative on the other expenses side in terms of cost controls?

Sudhir Valia: Yes that, in fact we feel it will get normalized.

Prakash Agarwal: So it should be around the 24% level that we have been doing in past couple of years.

Uday Baldota: Absolute number is probably better rather than percentage.

Prakash Agarwal: Last question if I may, on the domestic side, are we seeing a disturbance largely getting over now or we expect one more quarter of pain?

Abhay Gandhi: I think in this month we should be able to tackle most of those issues which we mentioned in the initial comments. I think overall in the quarter we should be able to normalize our operations.



Moderator: Thank you. The next question is from Ranjit Kapadia of Centrum Broking. Please go ahead.

Ranjit Kapadia: My question relates to domestic market. NLEM effect if you can quantify in terms of a percentage of revenue loss?

Abhay Gandhi: I think in the last 2-3 calls we have given an absolute number also. I think the total loss that we expect for a full 12-month period would range between Rs. 45 to 50 crores.

Ranjit Kapadia: And how many products are entering into the price control, which are not there currently?

Abhay Gandhi: In the total number of products we are looking at in different strengths put together it is something like 40 products.

Moderator: Thank you. The next question is from Kartik Mehta of ICICI Securities. Please go ahead.

Kartik Mehta: Can you please explain the assumption of the lower tax rate which you mentioned in the opening comment? It is only about 15% for the entire year?

Dilip Shanghvi: That is exactly what Mr. Valia explained, for the year we expect tax rate to be around 15%.

Kartik Mehta: Is that on account of the loss that we have on Protonix, which we can get some benefit or is there anything else?

Dilip Shanghvi: There maybe multiple factors and I do not think it is possible to quantify and explain each of them on the call, but our guidance is revised to 15%.

Kartik Mehta: Should we assume the same number for FY15 also?

Dilip Shanghvi: This year guidance I have given. Next year we will give next year's guidance.

Kartik Mehta: And the second one is on the realization rate for the dollar that is 55, around that level, if I understand the overall translation for Taro would be at a higher rate. So actually why would the realization be at 55, it should be around 57, right?

Uday Baldota: The rate of 55 is the average for the quarter. It is actually 55.82, so it is close to 56.

Sudhir Valia: This is what we have taken. No translation gain has been recognized at this stage.

Moderator: Thank you. The next question is from Abhijit Pradhan of Sun Investments. Please go ahead.

Abhijit Pradhan: I just wanted to know the reason why we still have not released our annual report for 2011-2012.

Sudhir Valia: Now it will get released, we were waiting for the court approvals.



Moderator: Thank you. The next question is from Mishal Mehta of Spellbrest Capital. Please go ahead.

Mishal Mehta: I just wanted to have a question, what is our inventory, receivable and payable levels post payout to Pfizer on Protonix? What is the working capital in terms of a consolidated basis on inventories, receivable and payable?

Uday Baldota: It has not changed much since March. I think marginally higher inventory and receivable in line with growth of the business.

Mishal Mehta: So post Protonix payout, what will be the level of cash at a consolidated level?

Dilip Shanghvi: It will be reduced to the extent which we pay, US\$550 million.

Mishal Mehta: No, considering CAPEX and areas, what is the actual net cash position?

Uday Baldota: June-end number is roughly close to Rs. 9,000 crores. You will need to take out the US\$550 million from there that will be the balance there.

Moderator: Thank you. The next question is from Anmol Ganjoo of Antique Stock Broking. Please go ahead.

Anmol Ganjoo: In the opening comments, there was a comment relating to bunching up of certain expenses for the quarter. Can we have any color on what those expenses might be and how they are expected to be normalized over the next three quarters?

Sudhir Valia: We said it will get normalized.

Anmol Ganjoo: But what were they related to?

Management: This is on various accounts, litigation, and legal, which will normalize.

Anmol Ganjoo: But it was not any big trial or any product related?

Management: No, nothing like that.

Anmol Ganjoo: My question again from the remarks is that in DUSA we have seen some positive surprise. Any qualitative color on that after we have had a chance to look at the asset in great detail, what is the kind of excitement that portfolio and technologies are offering?

Dilip Shanghvi: I see that we have business responding to positive stimulus. We still need to do a lot of work before we think we can fully leverage the value of the franchise.

Anmol Ganjoo: Just to follow up on that, say for example in terms of sequencing from a monetization standpoint, do you think we will be able to drive improvements faster in URL as opposed to DUSA?



Dilip Shanghvi: As I explained I think both the acquisitions are doing better than what we were factoring when we did the acquisition, so we are actually quite happy. So I do not want to then do comparison between what is better than the other.

Moderator: Thank you. The next question is from Krishna Prasad of Kotak Securities. Please go ahead.

Krishna Prasad: I think in our opening statement you have talked about the raw material cost and it is getting normalized over a period of time. But just taking more sort of longer-term view, from the current sort of gross margins that we enjoy, do you think the current business segment that we operate in, that should sort of help us sustain this rate or do you think we will be probably looking at other businesses which could possibly be required to sort of be able to sort of hold on to these sort of high gross margins?

Dilip Shanghvi: We will try to. There are parts of business where I am not expecting any significant change in margins; there are parts of business where we say that there is a pricing opportunity, that margin will change to pricing change.

Krishna Prasad: But when you spoke about normalization of this number, do you expect that to happen?

Dilip Shanghvi: I am talking about normalizing to what historical numbers of cost used to be.

Krishna Prasad: And any sort of timeframe that you are referring to?

Dilip Shanghvi: During the year.

Moderator: Thank you. The next question is from Nimish Mehta of Research Delta Advisors. Please go ahead.

Nimish Mehta: Firstly, on the constant currency growth outside of Taro, what could it be, if I am missing, can you please remind me?

Uday Baldota: Outside of Taro I do not have a number, including Taro it will be 28% sales growth.

Nimish Mehta: Next, can you let us know is there any price increase that you might have taken in Comtan, Stalevo the two brands there. I think Wockhardt is the only competitor given the problems with Wockhardt plant.

Dilip Shanghvi: It is a very specific question. I do not think even I have the answer, but thanks, I will check.

Nimish Mehta: The number of product launches that you might be targeting for FY14 in US?

Dilip Shanghvi: Depending on how many approvals we get.

Nimish Mehta: But if you can share some internal thought process?



Dilip Shanghvi: I have many thoughts. Question is how many approval we get. Difficult to predict, I think there is a delay at FDA on account of very large number of applications and load on account of that. So I think it is all linked with FDA's ability to hire new people and reduce load on the approval time.

Moderator: Thank you. The next question is from Rahul Sharma of Karvy Stock Broking. Please go ahead.

Rahul Sharma: A particular item has been mentioned in Taro press release where it appears that there has been some contractual obligation charge has been taken. I just wanted to know is this charge back on account of price cuts, which would have possibly happened in Nystatin products and what could be the amount and how do you foresee this going ahead?

Dilip Shanghvi: I think beyond what Taro had shared it is difficult for me to share. What I think Taro has said is that if this were not created during the quarter, then overall, instead of de-growth, there would have been a growth of 10%. But it is not charge-back.

Rahul Sharma: And we have got some three approvals coming in. Could you give some light on the opportunities which lie ahead, the competitive scenario in all the three in Taro?

Dilip Shanghvi: Which are these products?

Rahul Sharma: Topicort spray is there, Carbamazepine.

Dilip Shanghvi: All of the numbers that you see factor Topicort spray, because they have launched.

Rahul Sharma: And what about Carbamazepine ER and your Gabapentin oral solution?

Dilip Shanghvi: I do not have specific numbers and whether they have launched the product or not.

Moderator: Thank you. The next question is from Manish Jain of Axis Holdings. Please go ahead.

Manish Jain: I just wanted to have an idea about Desoximetasone, that essentially, what are the key indications that it is being used for in the US right now?

Dilip Shanghvi: It is what you call moderate to potent steroid and it is used for all skin conditions which require the steroid. So they have a comprehensive range of products and it is used across various indications involving dermatology.

Manish Jain: And related to that is in terms of promotion plan, it will be within Taro or your non-Taro promotion plan is also on the cards?

Dilip Shanghvi: No, it is all within Taro and I think my understanding is that they would be addressing almost a large part of the market themselves.

Moderator: Thank you. The next question is a follow up from Anubhav Aggarwal of Credit Suisse. Please go ahead.



Anubhav Aggarwal: One just question on India. You mentioned that normalized sales growth is 11%. Can you give the sales growth in Cardiac, CNS, and Diabetes for this quarter?

Abhay Gandhi: I think segment wise and product wise, we do not give those numbers.

Anubhav Aggarwal: Just a comment, you mentioned that Pioglitazone was one of the reasons why this quarter growth was lower. How big was the impact of the Pioglitazone?

Abhay Gandhi: Clearly again I cannot answer that.

Anubhav Aggarwal: No, was it a large impact or was it a small impact because this impact came in much later in the quarter? Because if I broadly look at 11% sales growth for Sun Pharma being a chronic portfolio is less when the overall market growth for chronic market is also not that. So, from that context, I am just trying to see that was it like such a big impact of Pioglitazone and Maharashtra strike that our sales growth was just 11% in this quarter?

Abhay Gandhi: Total size of all our Pioglitazone brands put together would be roughly around Rs. 100 crores, and my sense is around 1.5 to a little more than that month we could not sell the product because of the suspension.

Anubhav Aggarwal: Just one question on the tax rate, 10% this quarter on the P&L. What is the cash tax rate that actually we paid here for the quarter?

Dilip Shanghvi: It is difficult for me to give consolidated number because we would have paid tax in different geographies, so we have not consolidated, but my understanding is that tax would be more or less in line with what is likely to be the liability during the quarter.

Anubhav Aggarwal: Just one clarification about, you got 9 approvals in this quarter, but how many have you launched in the US in this quarter? And in particular, have you launched Depo Testosterone injection?

Dilip Shanghvi: I think we are in the process of launching the Testosterone injection. I do not have an exact number of how many we have not launched.

Moderator: Thank you. The next question is from Krishna Kiran of ICICI Direct. Please go ahead.

Krishna Kiran: In the previous call, we were mentioning about re-filing of URL discontinued product. Would you like to share anything on it?

Dilip Shanghvi: We continue to make those efforts, nothing specific that I can share.

Moderator: Thank you. The next question is a follow up from Sameer Baisiwala of Morgan Stanley. Please go ahead.

Sameer Baisiwala: Just a question on Taro. I know it is a very fluid and a dynamic situation maybe for next few months. If we look beyond two years, and this will be very helpful for modeling purpose, in



general, do you think this is an annuity business or do you think this could be a growing business as we go forward over next few years?

Dilip Shanghvi: The generic business, Sameer, as you know is so much linked with competition and market dynamics that to take a long term view on a business where you really do not know what is happening in the competitive scenario, it is a challenge. So that is one concern to respond to your question. The second I think there is not a single product in Taro basket which has any kind of patent protection. So a generic competitor can come in at any point of time based on when they will get an approval. So it is difficult to predict the competitive dynamics.

Sameer Baisiwala: But do you think this portfolio, Taro can take it to other geographies, other continents if the sales is largely localized in US? And if there is any more synergy benefits between Sun's research and Taro research?

Dilip Shanghvi: We are constantly evaluating opportunity to take it to other geographies, but it is a challenge, there will be some good products which can be considered, but not many.

Sameer Baisiwala: And my second question is on Starhaler. I remember, Abhay, you mentioned that in May, there was some sort of limited launch. A) How has the product done since then? And second, more I think a longer-term question here, is that now it looks like the generic Advair is more or less a certainty in the regulated markets, and we have chosen to go down 505(b)(2) route. How do you evaluate the two different routes, and do you think the one that you have taken is the most optimal way?

Dilip Shanghvi: If you are confident that there will be a generic Advair in the US, then you have more information than I have.

Sameer Baisiwala: I am just relating to the Mylan's recent disclosures and nothing more than that, where they expect to be in the market in about a year, year-and-a-half from now?

Dilip Shanghvi: They did license the Pfizer portfolio of products under development and it is possible that they would have been able to file the product, but our understanding is that, to see a comprehensive product range which becomes substitutable is not easy. And it is a market which I think our device would give a better competitive advantage to sell that product. Abhay can respond to the India part of Starhaler.

Abhay Gandhi: The geographies in India where we have launched the product, I think we are seeing a very good acceptance and also the consumer experience of a smoother inhalation rate and the ease-of-use is being appreciated. So we are seeing the product picking up. We are quite confident that in this quarter we should be also able to maybe go all-India with this product and that should help us.

Sameer Baisiwala: That is I would say the first step. The second step, Abhay, for you would be that, do you think the doctors or your customers are really differentiating or distinguishing between your product and a Glaxo product, given the fact that yours is so to say considered to be a better version?



Abhay Gandhi: Let me answer this question three months down the line when we have all-India kind of an exposure, but what are you saying is right and that would be the challenge to try and differentiate our product from the Glaxo product.

Dilip Shanghvi: But generally there is appreciation that we are able to achieve equal efficacy with half the dose.

Moderator: Thank you. The next question is from Ajay Tyagi of PTI. Please go ahead.

Ajay Tyagi: Mr. Shanghvi, this is a question for you. After making the provisions for the settlement for patent litigation for Protonix, will you still be looking for acquisitions in the current financial year?

Dilip Shanghvi: Yes, of course, if you see even in my statement that is what I have said, we will continue to look for ways to expand.

Ajay Tyagi: Anything specifically you can mention?

Dilip Shanghvi: Not something that I can share.

Moderator: Thank you. The next question is from Shruti Ambavat of Financial Express. Please go ahead.

Shruti Ambavat: Mr. Shanghvi just wanted to clarify on a few points. I missed the figure when you said that how much Pioglitazone contributes to the sales for which you missed out for one month that the sales did not take place, so, I missed that figure. Another thing is that you mentioned that the subsidiaries, URL and DUSA have contributed significantly in this quarter. So, the margins year-on-year have fallen, but you are comparing quarter-on-quarter, just these two clarifications please.

Abhay Gandhi: What I said for Pioglitazone was that all our products which have Pioglitazone as an ingredient, total value for the year would be around about Rs. 100 crores and say roughly about a month and a half we could not sell those products in the market.

Shruti Ambavat: And the second question, I am trying to understand, you mentioned that subsidiaries URL and DUSA have contributed significantly to the revenues and helped in rise in gross margins. Also if you could explain how much has the gross margin helped from these two subsidiaries and when you were comparing these two, were you comparing on a quarterly basis or a yearly basis?

Dilip Shanghvi: What I think I have said is the cost of goods is lower on account of better product mix, not necessarily only contributed by URL and also I think Mira can give you more information.

Moderator: Thank you. The next question is from the line of Krishna Prasad from Kotak Securities.

Krishna Prasad: I think on the response to one of the questions, you had said the Taro provision is not a charge back, do I understand correct?

Sudhir Valia: Yes, it is not a charge back.



Krishna Prasad: What is the nature of this charge?

Sudhir Valia: It is contractual obligations.

Krishna Prasad: Could you maybe just explain that a bit better?

Dilip Shanghvi: I think we have some constraints because we cannot tell you more than what Taro has told its shareholders.

Krishna Prasad: Because normally, we are looking at charges being taken sort of not on the revenue lines, I was just trying to understand.

Uday Baldota: I think Krishna my request would be to wait for Taro to file its filing with the SEC, you may get some more details there, but right now I think it would be too premature.

Krishna Prasad: Just another additional question is really on the Protonix, obviously, you made the provision now, but if you could just give us a sense on when the payment is expected?

Dilip Shanghvi: Within a short time.

Krishna Prasad: And a final question is around in the footnotes in the quarter, we have talked about two more subsidiaries, which have got merged. What are these subsidiaries related to? I am referring to the medications and drugs, the two additional subsidiaries you talked about?

Management: These subsidiaries own the manufacturing facilities which primarily focus on the domestic business. So they have come together in the domestic business.

Moderator: Thank you. The next question is from Nimish Mehta of Research Delta Advisors. Please go ahead.

Nimish Mehta: If you can let us know, now that Pioglitazone is banned in India, where do you think market is likely to shift to?

Abhay Gandhi: The suspension has been revoked, so really speaking sometime towards the end of this month we should be back in the market. So a lot of patients will be coming back to the product. In other case also therapies are available and depends on the doctors' discretion what therapy that they would like to look at. I mean to that extent I think as a company we are well prepared in the sense most of the therapy that a customer requires to treat his diabetes patient other than insulin we have, and with Pioglitazone back in the market I think overall our diabetes portfolio should continue to do well.

Nimish Mehta: You do not expect any damage because of the development, like in terms of doctors now like to prescribe?

Abhay Gandhi: Damage is a very strong word as far as I am concerned. But there could be a small impact, but I do not expect that to be very large.

Moderator: Thank you. The next question is from Mishal Mehta of Spellbrest Capital. Please go ahead.

Corporate Office : Acme Plaza, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059.

For further updates and specific queries, please visit www.sunpharma.com or feel free to contact

Nimish Desai, +91 22 66455717, nimish.desai@sunpharma.com, Mira Desai, +91 22 66455606, mira.desai@sunpharma.com



Mishal Mehta: I just had one question. Will we be getting the annual report of 2012 and 2013 both or just 2012?

Sudhir Valia: Both.

Moderator: Thank you. The next question is from Manish Jain from Axis Holdings. Please go ahead.

Manish Jain: Just wanted to know has the combination of Latanoprost and Timolol been launched in India? And if yes, what has been the response?

Abhay Gandhi: No, we have not launched that product. What we market is Latanoprost RT.

Dilip Shanghvi: Actually, we have not received the approval also. I think there are no new products getting approved out of the DCGI recently.

Manish Jain: So we will be stuck with this current issue. Till that gets resolved, we expect approval only after that?

Dilip Shanghvi: Yes, hopefully we can get it earlier when there is greater clarity.

Moderator: Thank you. The next question is from Prakash Agarwal from CIMB.

Prakash Agarwal: A question on Sitagliptin. We had this court case going on with Glenmark. Can you provide us an update, please?

Abhay Gandhi: We are awaiting the judgement now, both sides have concluded their arguments and we are waiting for judgement to happen anytime soon.

Prakash Agarwal: Soon meaning, during the quarter as well or it could be even later?

Abhay Gandhi: I hope it is in this quarter, but I cannot really answer that.

Prakash Agarwal: And in the meanwhile, Glenmark continues to sell those products?

Abhay Gandhi: That is right.

Prakash Agarwal: And second one on Prandin, we launched during middle of July. So how has the response been? It is a typical 180-day, you got to your desired market share yet or you are yet to reach that above 50% kind of market share?

Dilip Shanghvi: I am not able to respond, but hopefully in the next few days we should have greater clarity.

Prakash Agarwal: Could you share the current market share?

Dilip Shanghvi: Difficult to understand at this time, but I think we have a good offtake.



Prakash Agarwal: And just a follow-up on this, post 180-day, it would be a me-too kind of product or it could still be a few players in the market?

Dilip Shanghvi: We expect at least three players to come to the market post-180 days.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Mr. Nimish Desai for closing comments.

Nimish Desai: We would like to thank everybody for joining the call today.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Sun Pharmaceuticals that concludes this conference. Thank you for joining us.