



Corporate Participants

Dilip Shanghvi

Managing Director, Sun Pharmaceutical Industries Ltd.

Sudhir Valia

Whole time Director, Sun Pharmaceutical Industries Ltd

Abhay Gandhi

Executive Vice President, Marketing, Sun Pharmaceutical Industries Ltd



Moderator: Ladies and gentlemen good day and welcome to the Sun Pharmaceutical Industries Limited Q1-FY13 Earnings Conference Call. As a reminder all participants' lines will be in listen only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should you need assistance during this conference call, please signal an operator by pressing '**' and then '0' on your touch tone telephone. Please note that this conference being recorded. I would now like to hand the conference over to Ms. Mira Desai. Thank you and over to you ma'am.

Mira Desai: Thank you Marina. Good morning and a warm welcome to our Q1 FY13 earnings call. I am Mira from the Sun Pharma investor relations team. We hope you received the Q1 financials and the press release that was sent out yesterday. These are also available on our website. We have with us Mr. Dilip Shanghvi- Managing Director; Mr. Sudhir Valia- wholetime Director and Mr. Abhay Gandhi- Executive Vice President. Today they will discuss performance highlights, updates on strategy and response to any questions that you may have.

As it is usual, for ease of the 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 the website shortly. The discussion today might include certain forward-looking statements and these must be viewed in conjunction with the risk that our business faces. I request all of you to kindly send your questions that may remain unanswered today. I will now hand over this call to Mr. Valia.

Sudhir Valia: Welcome and thank you for joining us today for this earnings call after the announcement of financial results for the 1st quarter FY 13.

Our 1st quarter financials are already with you.

There are four one-off events that are included in to the numbers this year and not very different from the caution shared in the last quarter.

First-- sales of Lipodox to US under special directive from the US FDA continued this quarter as well. These meet a shortage in the US but may not be sustainable.

Secondly Taro, Taro continues to enjoy higher prices on some of its product. This, in Taro's own view is not also sustainable.

The third one-off the impact is the currency related issue. The dollar is at a significantly higher rate in the Quarter 1 FY13 than it was last year. The resulting growth in the rupee reported sales and profit may not be sustainable.

Fourth, the impact concerns consolidated accounting. During the quarter there has been a refinement in the basis of computing the cost of material consumed and changes in the inventories. For this purpose the effect on account of the difference between the average cross currency exchange rate and the closing cross currency exchange rate with respect to the changes in the inventories in the overseas subsidiaries has been transferred to the foreign currency translation reserve. This has been done to present a more accurate picture for the core business earnings, by stripping out the impact of the exchange rate volatility on closing stock valuation.



We would request you to take care when you compare this financial Q1 with that of the same last year.

As usual we will look at our key consolidated financials.

Q1 net sales is Rs. 2658 crores an increase of 62% over Q1 last year.

Material cost as a percentage of the net sales at 19% lower than that of Q1 last year, this is primarily on account of Taro as well as products like Lipodox. Had we not made a refinement in the basis of computing the cost of material consumed and changes in the inventories, the material cost for the quarter would be lower by Rs. 75 crores.

Staff costs as a percentage of the sales is 13%. Other expenditure as a percentage of net sales is 22% both of these are significantly lower than for the same last year because of high growth in sales.

As a result of the above the EBITDA achieved in Q1 is Rs. 1216 crores as compared to Rs.547 crores for the first quarter of last year.

Tax is at 17% of PBT is significantly higher than the first quarter of last year. Net profit Rs.796 crores is up by 59%, than that achieved in Q1 last year.

On fully diluted basis EPS is Rs.8, higher than Rs. 5 for the first quarter last year.

Taro recently announced its Q1 FY13 financials. Taro has reported Q1 FY 13 net sales of \$159 million, an increase of 43% over the same period last year. Net profit of \$ 63 million is significantly higher compared to the same quarter last year. Taro has stated that it remains cautious of increasing competition and consequential erosion of volume on some of its major products, and the challenge in maintaining current performance.

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

Abhay Gandhi: Thank you Mr. Valia and good morning everybody. I will take you through the India formulation business.

Sales in Q1 are Rs. 587 crores reflecting degrowth of 8% over Q1 last year. If you adjust for the extra sales of Rs.180 crores which we had done in the preceding quarter then the sales growth is 20%.

According to AWACS we now have a market share of about 4.6% for the 12 months to June 2012. In the quarter we launched 9 new products.

We continue to be ranked number one by share of prescriptions with six key doctor specialties namely psychiatrists, neurologists, cardiologists, orthopedics, ophthalmologists and gastroenterologists.

We continue to look for innovative ways to connect with our key prescriber base to build chronic market growth and add prescription share. We remain enthusiastic about the domestic growth story.

With this I will hand over to Dilipbhai.



Dilip 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.

This quarter our sales in the US has increased substantially both in Sun-marketed products as well as for Taro. Our overall total sales in the US in this quarter is \$285 million which is up by almost \$105 million and this for first time exceeds significantly more than 50% of our sales—at 57% of our total sales. Sales of Caraco has increased by 185% over the previous period.

Our API business even though is not a core business, continues to grow as a result of our focus on specialty and complex-to-manufacture products which have limited competition.

Formulations sales in the rest of the world market accounted for \$68 million in the 1st quarter registering a growth of 20%. Excluding Taro sales outside the US underlying sales growth for Sun Pharma business in these markets was 45%.

As you know we used most of our API for captive use which are not reflected in our turnover but as we continue to sell products for which we are integrated, the usage of these products also continue to enhance our profitability.

R&D expenditure for the first quarter was Rs. 139 crores significantly higher than the previous quarter but because our sales have grown significantly this quarter, it is now 5% of our sales. This is spent to support all areas of our business- generic and branded generic business, API and different dosage forms.

Our patents together with the patents of Taro have now reached 638 filings with 304 granted patents. We now have 256 ANDAs approved for a total of 391 products filed with US FDA, and ANDAs for 125 products awaiting approval.

As a part of the rationalization exercise that we have shared with you yesterday, the domestic formulation business will operate within a wholly-owned subsidiary. This is being done with a view to enhance our focus and significantly reduce our response time to the market requirement and improve our competitiveness in the market. This rationalization will require that the accounts be redrawn and reaudited and may take some time, hence it may be slightly longer before we can share the audited annual reports with you.

The board also declared an interim dividend of Rs. 4.25 per share for the year ended March 31, 2012; this interim dividend is in lieu of the earlier proposed dividend for the year ended March 31, 2012, and the record date is August 16th.

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

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on your touchtone telephone.



The first question from the line of Manoj Garg from Edelweiss, please go ahead.

Manoj Garg: Good morning to all of you and congratulations on a good set of numbers. On the domestic formulation business I would like to understand that when we are saying that the entire spillover effects of Q4 will be addressed in Q1 sales, so do we expect from Q2 onwards the normalized sales in the domestic market?

Abhay Gandhi: We can assume normal sales from Q2 onwards.

Manoj Garg: Though Dilip Bhai has indicated in the opening remarks, the reason to take out the domestic business into a separate entity is to bring more focus, just would like to understand little more in detail because from the management perspective it is going to be one and the same though as a legal entity it could be a different entity, so how does it help you to sharpen your focus or to improve the response time with regard to separating of the domestic formulation business?

Dilip Shanghvi: Once we share more information about the structural changes with a view to improve our response time, you will get a better idea as to why we are doing it and how we will achieve much more effective execution of our strategy. The idea is-- India is an important market for Sun Pharma, we wish to treat it as a critical and important part of our business, and we want to find a way by which we can significantly enhance our competitiveness even though we are doing quite well in the market place.

Manoj Garg: Ok. And the last question before I get into the queue is--Would you like to quantify the contribution of Doxil in this quarter because it seems to be a significantly higher number?

Dilip Shanghvi: We generally do not split numbers for products, so we are not giving separate numbers for Doxil.

Manoj Garg: Ok. Thank you and wish you all the best.

Moderator: The next question is from Ravi Agarwal from Standard Chartered Securities, please go ahead.

Ravi Agarwal: Good morning and thank you for taking my call. The Sun distributed products in the US outside Taro seems to have grown by almost 100 million dollars on a Y-o-Y... am just trying to figure out what exactly is driving this, and also to understand the ramp up in Caraco sales-- how Caraco's numbers have been so strong in the quarter?

Dilip Shanghvi: Your assessment as to the Sun business in the US has grown significantly is correct, we have grown by 185% over the last quarter but that is a mix of all the products that also includes Lipodox.

Ravi Agarwal: I am just trying to get some sense again on Caraco, how is that business doing?

Dilip Shanghvi: Caraco own products will be relatively small part of the current sales, most of the products that Caraco would have sold this quarter would be products of Sun.

Ravi Agarwal: My last question. We filed one ANDA during the quarter could you just get some sense what is our target ANDA especially in Taro, what is our sense about the filing range run rate in Taro?

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

Mira Desai, +91 22 66455606, mira.desai@sunpharma.com, Uday Baldota, +91 22 66455605, uday.baldota@sunpharma.com



Dilip Shanghvi: We have shared the target for Sun and we are not revising that target. Taro has not given any specific objective for Taro to file number of ANDAs.

Ravi Agarwal: Thank you and all the best.

Moderator: The next question is from Anubhav Agarwal from Credit Suisse, please go ahead.

Anubhav Agarwal: Just wanted to get your views on the base business margin if I compare March 12 quarter versus June quarter basically, if we normalize for India sales considered constant currency hence remove Lipodox for the March quarter and the June quarter, just wanted to get a directionally, have the base business margin improved, declined or remained the same?

Abhay Gandhi: It has remained the same-- not much change.

Anubhav Agarwal: My second question is on the emerging markets, can you please update the planned expanded presence in Russia and your existing business in the Latin American market, in particular for the Brazil market- how many products you have launched in that market right now and how many are pending with the regulators?

Dilip Shanghvi: We do not give country by country specific breakup of sales also breakup of filings, but I think our business in all the markets continue to respond to the effort of management to increase that business.

Anubhav Agarwal: You seem to have dropped 7 ANDAs this quarter in the US, is there provisions for generic users fees also that you have provisioned in this quarter in the other expenses?

Dilip Shanghvi: There is no provision, there will be costs in the quarter in which we will make that payment.

Anubhav Agarwal: Dropping this 7 ANDAs- is it just economic viability reason that you drop them?

Dilip Shanghvi: There would be many reasons but what you are saying economic viability reason will also be one of the reasons.

Anubhav Agarwal: Thank you, I'll join the queue.

Moderator: The next question is from Sameer Baisiwala from Morgan Stanley, please go ahead.

Sameer Baisiwala: Good morning everyone. Just focusing on the sales guidance that you have given for this year in view of the strong quarter is there any thought to revise it, and the reason why I ask is that you have guided for 18 to 20% growth, takes us over 96 billion for that top end and if I back out the first quarter then we are looking at 23 billion average for the next three quarters which is substantially lower than even the Q1? So any thoughts on the sales guidance?

Dilip Shanghvi: As on today we are not revising the guidance if you see in case of Taro as well as our own sales in the previous quarter the first quarter was relatively weak in the previous year, so that is



the reason why we have seen significant growth. At some point in case if we feel that we need to revive guidance we will.

Sameer Baisiwala: Ok. Second question is on Taro pricing while the management has been cautioning us-- just want to understand the basis for this caution. Are we thinking that there could be a risk to the pricing, product by product basis, or is it going to be one or two competitors who will come and have an impact on multiple products, any color on this would be very helpful?

Dilip Shanghvi: Generally pricing for generic product is a function of competition so the current pricing will change based on competition that I think is a concern that Taro management has been guiding investors about.

Sameer Baisiwala: Fair enough. If I am not wrong we have taken the price increase across a broad range of products in Taro so the question here is while competition is the key to the pricing pressure, is it fair to assume that it can only be three or four products which make it impacted by incremental competition so the overall impact on Taro portfolio because of lower pricing may not be as significant? So this current trajectory may actually hold for a longer period of time or come off only slightly as you go along?

Sudhir Valia: Taro in its announcement expressed this concern, it is very complex to say which product will come under competition.

Sameer Baisiwala: Ok. One final question on Protonix liability case, if I look in the court documents, looks like we are headed for a partial summary judgment on this. Any thoughts on the timelines whether it would be calendar 2012 event?

Dilip Shanghvi: We cannot give guidelines because currently there is no specific clarity for us as to when it will progress.

Moderator: The next question is from Sonal Gupta from UBS Securities, please go ahead.

Sonal Gupta: Good morning everyone and thanks for taking my question. I just want to understand the accounting change in inventory; you explained that you will take the benefit between the average exchange rate for the quarter and the quarter end exchange rate into the balance sheet. So just want to understand how does that get reversed and when that reversed sort of a thing?

Sudhir Valia: Currently the rupee is (the currency) depreciating, What it amounts is that the closing stock if you value at the closing rate of the exchange then extra gain will be booked on account of, though the transaction has not been done. Suppose there is the inventory on the opening at Rs.50 and on the closing it is Rs.55 exchange rate, just because of the exchange rate difference that the value of the inventory goes up and that is getting reflected otherwise in the profit and loss account. This time since there is a large amount of income, we have to account for it, if we do this and ultimately when the rupee get appreciated that time we have to debit it and this is thus not related to the business transactions. The impact has been taken directly to the balance sheet without going through the profit and loss account.

Sonal Gupta: So there will be no reversal for any such changes from now on, it will be taken directly onto the balance sheet?

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

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Mira Desai, +91 22 66455606, mira.desai@sunpharma.com, Uday Baldota, +91 22 66455605, uday.baldota@sunpharma.com



Sudhir Valia: Correct.

Sonal Gupta: But on the receivable side you still have the changes recognized in the P&L?

Sudhir Valia: Sales as well as receivables they are at average rate, only the closing stock is as per consolidated guidance everywhere across it has to be taken as a closing stock because it is a balance sheet item at the closing rate and when you do it that creates a problem. This will be at average rate and receivables will be at closing rate.

Sonal Gupta : But that is still going to be on the P&L?

Sudhir Valia: Yes.

Sonal Gupta: Just in terms of the strategy that now Sun has for Taro, because we made an offer which was deemed inadequate and probably given the current profitability so what is the current plan in terms of Sun strategy on Taro, do you make another offer or how do you see that going forward because Taro is now contributing a majority at least on a consolidated basis of your EBITDA etc. so if you could just highlight something on that?

Dilip Shanghvi: We are at the stage at which we are evaluating our options.

Moderator: The next question is from Bino Pathiparampil from IIFL, please go ahead.

Bino Pathiparampil: Just following up on the previous question on forex, you gave a figure of 285 million for the US sales, is that just a number that you have translated back from the rupee sales that you reported or is that actual net invoicing for the quarter?

Uday Baldota: Actually it is the other way for USA sales we record in dollars and then we translate into rupees.

Bino Pathiparampil: Why I asked that question is the gain on receivables vis-a-vis last quarter closing end this quarter closing that gain would have come in the net sales reported US sales or would it be somewhere down in the P&L?

Uday Baldota: In the recorded sales.

Bino Pathiparampil: So the gain in receivables is somewhere in the line Item?

Uday Baldota: This does not include gain in receivables.

Bino Pathiparampil: Okay, the 285 million doesn't include?

Uday Baldota: Correct.

Bino Pathiparampil: The ROW sales, 45% growth ex- Taro that you say is that the growth as recorded in Sun Pharma consolidated books or is it the underlying or secondary market growth?



Uday Baldota: This is as recorded in our books.

Moderator: The next question is from Nimish Mehta from MP Advisors, please go ahead.

Nimish Mehta: Thanks for taking my question. If you can just let us know when do you expect the approval of generic Doxil in US? Any ballpark, I know it is difficult to say exactly what FDA will do?

Dilip Shanghvi: I think generally we will follow a practice where we will announce once we get an approval. We will not speculate on when we are going to get approval.

Nimish Mehta: Any color on potential competition in that product, what do you foresee?

Dilip Shanghvi: Difficult for us to understand because this is not public document, FDA does not share information about who has filed, unless and until the company decides to disclose the filing.

Nimish Mehta: Ok. Fair enough. Can you just let us know the constant currency growth in US?

Uday Baldota: It's there at the end of the press release.

Nimish Mehta: Finally, because of the restructuring of the domestic business are we looking at any kind of increase in sales force and basically getting targeting the geographies within India?

Abhay Gandhi: Not really, business decision on what is required to better address our customer is on an ongoing business, it is not related to any.....

Nimish Mehta: It will be more of an operational focus that we like to sharpen, or is there any strategic change that will have to do, will be doing because of restructuring, is what I am trying to understand?

Abhay Gandhi: For operational focus in the market and carry on the good work that we have always been doing in the India geography.

Nimish Mehta: I see. Is the subsidiary the Sun Resins, I forget the full name does it have any existing sales as of now or is it completely a new subsidiary?

Dilip Shanghvi: It is a subsidiary without any significant... no business.

Uday Baldota: Nimish my request, please join the queue.

Moderator: Thank you. The next question is from Monica Joshi from Avendus Securities, please go ahead.

Monica Joshi: Just a couple of questions are you sharing the breakup of other income and your mark-to-market losses?

Dilip Shanghvi: No, what we have is the final number.



Monica Joshi: And update if you could share with us giving the question on Caraco previously, any update you can share on Prandin especially given the favorable ruling you have from the Supreme Court and also your thoughts on how is your market share in Astelin nasal spray now catching up?

Dilip Shanghvi: For Caraco once we have anything to share with you we will communicate, and the same about Prandin is that when we get an approval that's something we will disclose. I did not understand the last question.

Monica Joshi: On nasal spray if you could share what would be in your learning in the last two months in this market given it is the first nasal spray for you and how is currently market share going for you and what is your expectation on increasing that as you go along?

Dilip Shanghvi: We have reasonably good acceptance in the market place I do not have specific numbers of what is the market sales or market share for that product, for us but we are happy with what we have been able to achieve.

Monica Joshi: Has that been a contributor to your \$185 million of sales in US quarter?

Dilip Shanghvi: Yes sure, there would be some sales of that product.

Uday Baldota: 185%, 285 million.

Moderator: The next question is from Siddanth Khandekar from ICICI Direct, please go ahead.

Siddanth Khandekar: Thank you for taking my call. We have filed Provigil or Lexopro from Caraco if I am right, so any update on that, have we done site transfer anything sort of that to launch the product?

Dilip Shanghvi: Site Transfer for a product from a facility which is not in compliance is not easy in the current environment so these products have not been transferred out of Caraco.

Siddanth Khandekar: If I look at ex-Taro US sales on Q-o-Q also there is huge jump around 100% as per our estimate. Actually Q4 also we have Lipodox and now also we have Lipodox, is it on Q-o-Q there is huge increase on Lipodox or other products which is driving the growth?

Uday Baldota: It is a mix of new products plus incremental volume on Lipodox.

Siddanth Khandekar: R&D cost generally we have guided around 7% but this quarter we end up with 5%, how we will do to get for this year?

Dilip Shanghvi: I think our guidance is not changed.

Siddanth Khandekar: We will end of the year at 7%?

Dilip Shanghvi: That is the idea.

Moderator:TY The next question is from Kuntal Shah from Oakland Capital, please go ahead.



Kuntal Shah: My question is regarding Paclitaxel injection concentrate for nano dispersion, what kind of royalty or one-time payment to you expect to pay and what is the marketing plan for product in India, in the sense are you planning to hire specialized sales force for this product or same existing oncologist sales team will market this product?

Dilip Shanghvi: This is a SPARC product so once when we share the SPARC update and that time we will discuss that.

Kuntal Shah: Sun Pharma will be paying the royalty so can we have some kind of indication on the payment modality, one-time and royalty you can expect to...?

Sudhir Valia: Philosophically all the transactions with SPARC have been at arm's length basis and are based on upfront payment which is milestone based as well as royalty on sales, and the percentage of royalty is a function of competition and the size of the market.

Kuntal Shah: Any indication there, the size that you are expecting?

Dilip Shanghvi: I do not think we can share anything for that product wise now

Moderator: The next question is from Krish Shanbhag from Wodehouse Capital, please go ahead.

Krish Shanbhag: My question is on leviteracetam, are you keen to license this product from SPARC and if so, what kind of royalty and one-time payment do you expect for this product?

Dilip Shanghvi: The answer is more or less the same which I just gave for PICN, is that it is all linked with the size of the product and the opportunity competition and the size of the duration of the opportunity.

Krish Shanbhag: Has its NDA been filed?

Uday Baldota: I think those disclosures will be made as part of SPARC disclosures.

Moderator: The next question is from Manish Jain from Axis Holdings, please go ahead.

Manish Jain: Just wanted to get an insight on the branded initiative in US, any moves on that front from Sun Pharma?

Dilip Shanghvi: We have to get the approval from the FDA for Prandin and once we get the approval I think we will be able to market the product that is the idea.

Manish Jain: And when do you start hiring the sales force for that?

Dilip Shanghvi: We do not need to hire a sales force.

Manish Jain: My question was primarily for the branded initiative?



Dilip Shanghvi: As on today we have no product which is so close that we need to go into that kind of detailed plan for how and what, but clearly closer to the market are we will have to start deciding how we will best market these products.

Moderator: The next question is from Kartik Mehta from ICICI Securities, please go ahead.

Kartik Mehta: What is the net cash in the books for the consolidated entity and any thoughts on the recent news if you can on any particular geographies other than the US, which would interest Sun Pharma?

Uday Baldota: Cash on the books is above 6000 crores.

Dilip Shanghvi: I think we have shared for smaller markets, markets like in emerging countries we would have interest in countries like Brazil, Mexico or Russia, but there we would look at relatively modest acquisition with a view to develop access and presence. Our primary focus continues to be investment in the US or the markets where investments that we have made for the US are most productively utilized.

Moderator: The next question is from Krishna Prasad from Kotak, please go ahead.

Krishna Prasad: GM everybody, First question is on the Merck alliance that we formed a year back any updates that we have at this point in time?

Dilip Shanghvi: Once we have an update then I think the JV will make an update. From Sun's point of view I can only say that we continue to be excited and commit resources to make the JVs successful.

Krishna Prasad: In terms of when we could possibly start seeing revenue impact, is there a timeline that you would want to share at this point in time?

Dilip Shanghvi: No.

Krishna Prasad: The other question is on this new subsidiary that we formed- Sun Resins and Polymers, any sense on where is this subsidiary being registered or incorporated?

Uday Baldota: India.

Moderator: The next question is from Surjit Pal from Elara Capital, please go ahead.

Surjit Pal: Thanks for taking my question.. Could you please identify a product or any kind of top three therapeutic areas for your tremendous adjusted growth in Q1?

Uday Baldota: The domestic market?

Surjit Pal: Yes.

Dilip Shanghvi: Domestic market our growth is in line with what we have grown in the past not dramatically different.



Surjit Pal: Even if I see sequential quarters- consecutive 2-3 quarters Sun Pharma is getting far above than what the industry peers or the industry average is getting, any particular therapeutic category you are seeing that growth is basically driving?

Abhay Gandhi: Broadly in most of the therapeutic areas we are growing faster than the market, for me to just pick on one would not be fair on the others who are doing an equally good job.

Surjit Pal: The other way to put it is what Sun Pharma is doing different than the peers in the domestic market for the reasons for which tremendous growth maintenance as against the peers is concerned?

Abhay Gandhi: What you are probably getting into is strategy which is not right for me to disclose but clearly broadly we focus on developing customer relationships, work on becoming the number one brand in each product that will try and launch, and try to optimally utilize the opportunities that are there in the market-- but beyond that if I have to answer it would be getting into the marketing strategy.

Surjit Pal: As far as US market is concerned going by your definition of 10% as a significant bar to consider any significant sales. The question is, is your Doxil and Stalevo considered to be significant sales in US overall up 10% or below 10%?

Uday Baldota: Generally we do not give specific numbers and percentages or breakups of sales but they are contributing to the growth that we have recorded this quarter.

Surjit Pal: Regarding Prandin, the judgment is partially ...

Uday Baldota: Surjit, could you join the queue?

Moderator: The next question is from Ravish Kumar from Narnolia Securities, please go ahead.

Ravish Kumar: GM sir and congratulations on a stellar set of numbers. You've already answered part one of my question, what I wanted to know is would you like to revise the capex guidance for roughly 500 crores that you have provided in the last quarter?

Dilip Shanghvi: No, I think that guidance is not changing.

Ravish Kumar: Actually I asked this question especially in light of some potential acquisitions that you might be interested in as you just mentioned sometime back in Brazil, Russia, so does this guidance take into account those kind of activities if any on the M&A front?

Dilip Shanghvi: No it does not because we cannot give guidance for something we have not done today.

Moderator: The next question is from Saion Mukherjee from Nomura, please go ahead.

Saion Mukherjee: Thanks for taking my question. Can you share the inventory gain like you mentioned 75 crores for the quarter, what is this number for the full fiscal last year?

Uday Baldota: Any specific reason?

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

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Mira Desai, +91 22 66455606, mira.desai@sunpharma.com, Uday Baldota, +91 22 66455605, uday.baldota@sunpharma.com



Saion Mukherjee: Just to be able to compare because by giving out this number now the numbers are representing the true margins, so last year if you see the rupee has also moved significantly so gross margins in FY12 would also have been impacted. I was wondering if you can share that number then we would get a true picture for FY12 as well.

Sudhir Valia: Then my request would be if you want to do a comparison you can just remove this number from the current numbers, the current material costs and to that extent you will be able to compare across the periods.

Saion Mukherjee: But the point is both the numbers then become non-representative. We would like to look at the financials the way you have presented in this quarter, so that is the reason I was asking?

Sudhir Valia: It is very complex, please understand that we are trying to mitigate or minimize to the extent possible, it cannot be made zero because there are other implications. The average rate also has its own implications. Last year the rupee was appreciating now it is depreciating, in the appreciating the hit has to be taken as a loss, in depreciating that there is more profit so it is very complex to compare last year with this.

Saion Mukherjee: Now you do not have any inventory gain in the COGS line items?

Sudhir Valia: Within the system we can segregate and minimize the entry we have done it.

Saion Mukherjee: The other forex item like receivables or payables or other monetary items those are part of the other income line items? Any other mark-to-market gains that you might have or losses you might have for this quarter?

Dilip Shanghvi: Mark to market losses for hedges or benefits or profits will be in the other income. Whatever business related receivables are, that will get reflected in the business profit.

Uday Baldota: Just to answer your first question for the full last year that impact would be roughly about 100 crores. You would not have done as a calculation that we have done for the current quarter but it would ballpark in that range.

Saion Mukherjee: One question on the pipeline in the US any thoughts on the competitive landscape as you see it, any change you have seen in the last year or so, and when you look at your pipeline versus you have already commissioned so far do you think the potential of the pipeline in terms of the revenues generated per product will be much more than what you have done so far, qualitatively if you can just throw some color as to how you feel about the US pipeline going forward?

Dilip Shanghvi: We are very excited about our pipeline in the US but beyond that it is difficult for us to share specific information.

Saion Mukherjee: Any competitive landscape change, anything on that front you have seen in the last one year, which makes you more bullish or more bearish about your pipeline?



Dilip Shanghvi: The market is becoming increasingly more competitive and we expect it to continue to remain more competitive beyond that... but we feel reasonably comfortable about our ability to grow the business.

Moderator: The next question is from Ranjit Kapadia from Centrum Broking, please go ahead.

Ranjit Kapadia: Thank you for taking my question, The question relates to the two businesses one is the MSD which is Sitagliptin marketing and the second is Merck Alliance, will these businesses will be part of Sun Resins & Polymers or it will remain with the Sun Pharma only?

Uday Baldota: The domestic business is being moved into the subsidiary to the extent the existing products in India are being handled by the domestic business they would get shifted.

Ranjit Kapadia: My second question relates to if you can give the tax rate guidance for the current year?

Sudhir Valia: I think what we said last time... Dilipbhai mentioned clearly that it will go up but it will remain below 20% so that is not changing.

Moderator: The next question is from Vivek Agarwal from MP Advisors, please go ahead.

Vivek Agarwal: I just wanted to understand how much is the impact of currency on the EBITDA line?

Uday Baldota: EBITDA in dollar terms has also been given, it is given at the end of the press release so you can analyze what is the impact of the dollar.

Moderator: The next question is from Rikeen Dalal from Fincom Capital Management, please go ahead.

Rikeen Dalal: Have you started registration of dry powder inhalers in the market outside India, if yes, when did you start it and for how many countries?

Dilip Shanghvi: We do not give information which are futuristic of this nature. First of all it is a SPARC product and the idea would be to register this in as many markets as possible... so that we believe it is a product with significant benefits over existing product and the idea would be to leverage that benefit to succeed in the market place.

Rikeen Dalal: But have you started registering this product outside India?

Dilip Shanghvi: We would have filed in some countries, yes.

Rikeen Dalal: How many countries around?

Dilip Shanghvi: Difficult to give answers now.

Moderator: The next question is from Anubhav Agarwal from Credit Suisse, please go ahead.



Anubhav Agarwal: Just one question on the branded business in US, would Sun Pharma's presence in branded business in US will be just as front end , is SPARC or is Sun Pharma also working separately for the same right now?

Dilip Shanghvi: Sun will continue to work to develop a front end for branded products in the US, independent of SPARC products.

Anubhav Agarwal: Even now Sun Pharma, the R&D spend that we are doing part of would be towards the branded business presence?

Dilip Shanghvi: No, in Sun R&D what we are doing is generally investment for developing generic products but we will continue to look at investment opportunities in the US which will help us develop branded presence.

Anubhav Agarwal: Second question is on the OTC market presence in the US, is Sun Pharma waiting for a required product basket to launch in the OTC segment, we have not launched a product in OTC under Sun umbrella right now?

Dilip Shanghvi: That is correct we do not have a OTC product line but Taro has a few products in OTC business.

Anubhav Agarwal: Yes, Taro has five products but for Sun Pharma lets say we got approval for Allegra, what is the plan, are we waiting for the required basket?

Dilip Shanghvi: Both I think required basket and interesting products.

Anubhav Agarwal: And for the domestic business what percentage of your assets has been transferred to Sun Polymer & Resins, is it almost 100%?

Dilip Shanghvi: It is a proposal right now, there is no transfer which has happened.

Anubhav Agarwal: What is the proposal to transfer, what percentage of assets because your press releases mentioned certain assets?

Dilip Shanghvi: When we do the actual transfer we would share specific information.

Moderator: The next question is from Manoj Garg from Edelweiss, please go ahead.

Manoj Garg: Just would like to understand that how much is the outstanding forward hedges as on date?

Uday Baldota: Generally we do not give that information.

Moderator: The next question is from Sameer Baisiwala from Morgan Stanley, please go ahead.

Sameer Baisiwala: Quick question on net profit margin we had done about 30% for the quarter there were several moving parts but just assuming that the currency remains at 55, how do you see this directionally for the balance three quarters of the year?

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

Mira Desai, +91 22 66455606, mira.desai@sunpharma.com, Uday Baldota, +91 22 66455605, uday.baldota@sunpharma.com



Sudhir Valia: There are a lot of one-off in this event which we started discussing in the beginning itself, otherwise business is the same as we used to carry out.

Dilip Shanghvi: We would generally give only the top-line guidance; we will continue to make efforts so that we can maintain our increased profitability.

Sameer Baisiwala: Is there anything that you are seeing in the US pricing, I am not referring to Taro or anything, the general generic market in US in terms of pricing pressure going up or down anything that you can share with us that kind of affects the portfolio wise based business or has a broader impact?

Dilip Shanghvi: Our own experience in the US is that pricing is essentially product specific, on products in which you have less competition you have better pricing and products with high competition you have very competitive pricing, so very difficult to give a constant answer.

Moderator: The next question is from Sonal Gupta from UBS Securities, please go ahead.

Sonal Gupta: Will the gain of receivables be recognized in the other operating income?

Uday Baldota: Sonal, can we take this off-line.

Moderator: The next question is from Bino Pathiparampil from IIFL, please go ahead.

Bino Pathiparampil: Just a few thoughts on the inorganic growth plans especially in the US, one option obviously is generics and the branded generics but then there are lot of other formats in the US, one is the smaller innovator companies who one would typically call the speciality pharmaceutical like Celgene etc, very small biotech companies which are into drug development then there are biologic companies, have you thought on these lines or are you primarily focused on just generic companies?

Dilip Shanghvi: The idea would be to look at businesses where we have strength and also businesses which we understand, so we will look at businesses where we can add value or where we have ability to develop the synergy.

Bino Pathiparampil: The new structure that you put in for the domestic business, will that have any impact on the overall tax rate for the company?

Dilip Shanghvi: The guidance does not change today, we would remain less than 20% in terms of tax.

Moderator: The next question is from Manish Jain from Axis Holdings, please go ahead.

Manish Jain: This is on dry powder, there were certain product issues which we were trying to address in India, have those all been fully sorted out now?

Dilip Shanghvi: We have product under testing with customers right now.

Manish Jain: So when will you do full-fledged rollout in India then?



Dilip Shanghvi: Once we have the feedback from this test.

Moderator: The next question is from Chirag Talati from Espirito Santo, please go ahead.

Chirag Talati: On Sumatriptan autoinjector were sales significantly impacted in terms of channel stuffing, in anticipation of Par's exit from market in Q3, was there any material change in the market dynamics in terms of customer orders or channel filling?

Dilip Shanghvi: I do not have that kind of online information but my understanding is that Par was selling authorized generics and the authorized generic was being transferred to some other company, so there is no specific impact on the marketplace instead of Par somebody else would have sold the product.

Moderator: The next question is from Ravi Agarwal from Standard Chartered Securities, please go ahead.

Ravi Agarwal: Two questions, one was when we were mentioning guidance last time around, I believe you are mentioning a particular dollar rate of 51 rupees, do we stand by the 51 rupees number or is it looking at where the dollar rupee is today, have we kind of changed our views on that in terms of where we've hedge?

Uday Baldota: 51 was not a view, it was just an indication as to if one was to look at constant currency growth what it would look like. We were not saying that 51 is where the rupee will be ultimately.

Ravi Agarwal: But to take the number specifically the 51 is it that we hedged our revenues for the year at around that rate or is it something which is open in terms of the currency?

Uday Baldota: On the hedges we do not give specific information but that would be inaccurate, I would say.

Ravi Agarwal: What is the reason for name Resins and polymers in terms of our domestic supply?

Uday Badota: This is the subsidiary which we had but we will ultimately change the name to reflect the business that it conducts.

Moderator: Ladies and gentlemen due to time constraints we will take one last question from Nandita Parkar from Karma Capital, please go ahead.

Nandita Parkar: Just wanted to ask you about what you thought in your opinion would be the impact of Obama care on your business whether it is in terms of competition or pricing or just operationally?

Dilip Shanghvi: It is definitely going to expand the market significantly because a large number of patients who did not have access will get an access and the largest impact will be on generic products and that will reflect increased volume for all the players in the marketplace, and to the extent of our share of that business we will benefit because of the increased volume.

Nandita Parkar: So you are expecting it to be a significant change?



Dilip Shanghvi: It will be a change and I do not know what would be the percentage impact on our growth because of Obamacare but if somebody does a detailed product by product consumption of drugs then I think it is possible to see that impact.

Moderator: Ladies and gentlemen that was the last question, I now hand the conference backed to Ms. Mira Desai for closing comments.

Mira Desai: I thank all of you for joining us this morning, if there are any questions that remained unanswered, please get in touch with Uday or myself.

Moderator: Thank you very much. On behalf of Sun pharmaceutical Industries Ltd. that concludes this conference call. Thank you for joining us.