



Corporate Participants

Dilip Shanghvi

Chairman & Managing Director, Sun Pharmaceutical Industries Ltd.

Kal Sundaram

CEO, Sun Pharmaceutical Industries Ltd

Sudhir Valia

Whole time Director, Sun Pharmaceutical Industries Ltd



Moderator: Ladies and gentlemen, good morning and welcome to the Sun Pharmaceutical Industries Limited Q2 FY12 Results conference call. As a reminder, for the durations of the conference, all participants' lines are in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Uday Baldota. Thank you. And over to you sir.

Uday Baldota: Thank you, Lavina. Good morning and warm welcome to our 2nd Quarter 2011-2012 earnings call. I am Uday from the Sun Pharma Investor Relations team. We hope you have received our Q2 financials and press release that we sent out yesterday. These are also available on our website. Today, we have Mr. Dilip Shanghvi – Chairman and Managing Director, Mr. Kal Sundaram – CEO and Mr. Sudhir Valia – Wholtime Director for this interactive call. Together they will discuss and respond to queries on performance highlights as well as update on strategy. As is usual, for ease of discussion we will look at the consolidated financials. Just as a reminder, this call is being recorded and the replay will be available for the next few days. The call transcript will also be put on our website soon.

It will be appropriate to mention that the discussion today may include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. I request all of you to send in your queries that remain unanswered today to me or Mira.

I will now handover to Mr. Dilip Shanghvi.

Dilip Shanghvi: Welcome and thank you for joining us today in this earnings call after announcement of financial results of 2nd Quarter of 2011-2012. As usual, first, a few specific mentions.

After the end of the quarter Sun Pharma informed Taro about its intent to buy out all the outstanding shares of Taro, currently not owned by Sun Pharma or its affiliates. As usual in such cases a Special Committee of Independent Directors has been appointed by Taro to evaluate the proposal.

During the quarter Taro filed its pending 20-F statements for the year 2007-2008 and 2009 so it is in compliance with requirement of the SEC for filing.

As announced earlier in September the USFDA informed us about the acceptable regulatory status of Cranbury facility. As a result, all issues noted in the August 25, 2010 warning letter for this site are now considered to be resolved. At the same time, Caraco, now wholly owned by Sun Pharma, continues to work to resolve the issues raised by the US FDA at its Detroit Plant.

Now, as usual, Mr. Valia will outline the financial highlights and then Mr. Sundaram will cover some of the operational performance highlights. I will then talk about the R&D and some other developments. I will now hand over to Mr. Valia.

Sudhir Valia: Thank you Mr. Shanghvi. Good morning to everybody. Our 2nd Quarter and first half financials are already with you. As usual we will look at our key consolidated financials.

Before I begin with the financial highlights a couple of notes would be appropriate. As you are aware Taro consolidated financials for the year 2011 has been included from 20th September, 2010 in Sun Pharma. Also as has been consistently highlighted by us in the past there have been significant non-

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recurring sales and resulting profit in 1st and 2nd Quarter last year. To that extent we request all of you to exercise care when comparing financials for this 2nd Quarter and first half with those for the same period last year.

Now for the financial highlights, first for the quarter, and then we will take first half.

Q2 net sales are Rs.1895 crores, an increase of 42% over Q2 last year. This growth despite high base achieved in Q2 last year for sale of generic Eloxatin, is largely on account of Taro sales being included in the current quarter. The rest of the business has performed in line with our expectations.

Material cost as a percentage of the net sales is 19%, much lower as compared to Q2 last year, which is primarily on account of higher closing stock valuation resulting from the exchange rate movement and the changes in the business mix.

Staff cost for the quarter is 14% of the net sales, significantly higher than 11% in Q2 last year. As we have mentioned in past this increase is essentially due to the staff cost being incurred at Taro compared to the immediately preceding quarter Q1 of this year. Staff cost is more or less at the same level in absolute terms, though as a percentage of the sale is lower, primarily on account of higher sales.

Other expenditure is at 25% of the net sales, similar to Q2 last year. As a result of the above, EBITDA margin achieved in Q2 equal to 41% , is significantly higher than the 2nd Quarter of the last year , and Q1 of the current year. Despite this, net margin is 32%, significantly lower than that achieved in Q2 last year, primarily on account of higher tax provision and higher minority interest.

On fully diluted basis EPS is Rs. 5.80, up from Rs. 4.90 for the same quarter last year.

First half net sales are Rs. 3530 crores an increase of 31% over H1 last year. Again this growth is largely on account of Taro sales being included in the current first-half.

Material cost as a percentage of the net sales is 22% much lower as compared to H1 last year; primarily this is on account of higher value of the closing stock at the end of the first half resulting from exchange-rate movement.

The staff cost for the first half is 16% of the net sales, significantly higher than 10% H1 last year for the same reasons mentioned earlier. Other expenditure is 25% of the net sales, higher than H1 last year.

As a result of the above, EBITDA margin achieved during the first half is 38%, lower than achieved in the first half of the last year. Net margin is 31%, is significantly lower than achieved in H1 last year again for the same reasons mentioned above. On the fully diluted basis EPS is Rs. 10.60, up from Rs. 10.30 for the same period last year.

Taro recently announced July-September financials. Taro reported July-September net sales of \$138 million, an increase of 34% over the same quarter last year. Net profit of US\$59 million for the quarter is significantly higher compared to that of July-September last year. Taro has mentioned that this is partly on account of lower than the normal R&D spend, which is likely to increase in subsequent quarter, and also substantial foreign exchange gain. Taro has also indicated some of the improvement in sales may not be sustainable.



A brief mention about API business, the overall API sales registered growth of 8% this quarter. We scaled up five APIs this quarter. Now, we have 138 DMF and CEP approved out of 210 filings. I will now hand over to Mr. Sundaram, who will share some of the operational highlights.

Kal Sundaram: Thank you, Mr. Valia, and good morning to everybody. I will first take you through the India formulation business.

Sales in Q2 was Rs. 705 crores, outwardly reflecting a growth of 15% over corresponding quarter earlier year. After adjusting for the discontinuation of our third-party contract manufacturing business, the underlying growth is 18%. When calculated on similar lines, the growth for the first half is also at 18%, and is well in line with our expectation.

According to AWACS, we hold a market share of about 4.4% for the 12 months to September 2011. During the course of the 2nd Quarter we launched ten products. During this quarter we launched Istavel and Istamet, the DPP4 products to treat diabetes, which we in-licensed from MSD. Sales offtake for these products have been to our expectations.

In October we also launched Starhaler the inhaler asthma device, we in-licensed from SPARC. Overall, doctor feedback on this product has been positive. We continue to be ranked Number One by share of prescriptions, now with 7 doctor specialties, namely, psychiatrists, neurologists, cardiologists, orthopedics, ophthalmologists, gastroenterologists and consulting physicians.

Now, about our rest of the world business, while the ROW sales growth appears to be strong at 85% for the quarter and 106% for the first half, as you know this is primarily on account of Taro being included for this quarter, as well as for the first half. Taro sales outside US are included in the ROW sales as reported by us.

In the emerging markets the underlying growth in sales as reflected in this quarter financials is upwards of 20% when compared to the same quarter and half of last year.

With this now I will hand it over to Mr. Shanghvi. Thank you.

Dilip Shanghvi: Thank you, Kal.

R&D expenditure for the quarter is Rs. 93 crores, equivalent to 5% of increased sales and these expenses includes both at Sun as well as at Taro.

During the July-September quarter, ANDA for five products were filed from Sun Pharma and Taro. Counting these together with ANDAs for eight products that were approved during the quarter we now have ANDAs for a total of 388 products filed with FDA, of which 150 are awaiting approval.

Sun's patent library together with Taro now stands at 551 patents with 254 patents being granted. With the overall consolidated performance in line with our expectations, Taro's performance resulting from current market opportunities, which may not be sustainable as mentioned by Taro in its announcement, and with this we are not revising our guidance. I would like to leave the floor now open for questions. Thank you.



Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourselves from the question queue, please press star and two. Participants are requested to use a handset while asking questions.

Our first question is from the line of Gagan Borana from ICICI Securities, please go ahead.

Chirag: Good morning, sir. This is Chirag here. A quick question. You said raw material cost is on the back of higher closing stock valuations on Forex movement. Is this over and above the \$16 million that Taro has reported in its foreign exchange gain line item?

Sudhir Valia: Foreign Exchange gains are on account of various reasons, it can be receivable in the foreign-exchange where the appreciation has to be accounted, so these two are separate, but some of the portions if it is there in the stock then it will come.

Chirag: So you are basically saying that the \$16 million the Taro reported would have been spread across several line items in so far as Sun Pharma is concerned?

Uday Baldota: \$16 million is below EBITDA and the other income.

Chirag: How much?

Sudhir Valia: No, that is okay, but when you do the valuation of the closing stock, then the stock will be valued higher on account of-- suppose raw material is there in country. It's a very mixed scenario.

Uday Baldota: Chirag. The \$16 million number that you are referring from Taro's announcement is accounted for in other income for Sun Pharma consolidated results.

Chirag: So the stock valuation impact is over and above that?

Uday Baldota: Stock valuation impact would go into the material cost.

Chirag: Fair enough. The other thing I wanted to check was how is it that Taro has a Foreign Exchange gain given that their business is in dollars as well as their reporting is in dollars.

Sudhir Valia: Investment is in dollar and inventory –

Dilip Shanghvi: Their manufacturing locations are in Israel as well as in Canada.

Sudhir Valia: So that currency appreciated.

Chirag: So is it that their reporting currency is in Israel –

Sudhir Valia: No, their reporting currency is dollar.

Chirag: So the \$16 million that Taro has reported, the nature of that is again translation is what you're saying?



Sudhir Valia: That's true.

Uday Baldota: The translation meaning? Your question is not clear, Chirag.

Chirag: Translation meaning, this is again in terms of mark-to-market of inventory or debtors or receivables, because if it was realized then it would have been a part of top line, right?

Sudhir Valia: Yeah correct.

Chirag: And the other thing I wanted to check with you was, why is that our guidance has not got revised upwards, or was it that this level of one-off sales was already expected by Sun?

Dilip Shanghvi: No, in last two quarters of last year, Taro sale is already included, so there is no significant additional sale, which is going to come on account of that. These first two quarters the Taro sales offset the one-time of sale of Eloxatin. So the overall guidance for growth is not changed.

Chirag: So this level of one off sale because of Taro, will it repeat for this quarter as well?

Uday Baldota: Chirag, you will have to come back in the queue.

Moderator: Our next question is from the line of Krishna Prasad from JM Financial, please go ahead.

Krishna Prasad: Good morning and thanks for taking my question. Can you quantify this impact of closing stock valuation on the raw material cost for the current quarter?

Dilip Shanghvi: It's difficult to quantify, but generally this would reflect the inventory that we are carrying in international currency, so inventory held in the US would have got revalued.

Krishna Prasad: Ok. And just on the tax rate, can you give us the split of how much is the current tax and how much is the deferred tax for the quarter?

Uday Baldota: No, we are not giving that breakup, Krishna.

Krishna Prasad: All right. Just to get back to this 16 million gain for Taro. Can you help me understand how this foreign exchange gain came about for Taro..

Dilip Shanghvi: We did not fully understand your question.

Krishna Prasad: The question is, we had this \$16 million gain in Taro due to currency movements, can you help us understand in terms of under what hedge do we actually get this gain for Taro whether is in terms of receivables or is it due to debt what is it giving rise to--?

Sudhir Valia: The other income basically the payable and all in the currency in which they are supposed to pay. Now, the currency has depreciated as compared to the US currency, the liability reduced.

Krishna Prasad: So it's primarily reduction of liabilities?



Sudhir Valia: Yes.

Krishna Prasad: Can you also help us understand what is the foreign exchange gain or loss on Sun's books because of the receivables and also --?

Sudhir Valia: Sun's books it is not so significant, though what you say is right that our receivable is more than what is our payable in terms of the trade. We don't have any borrowings, so impacting Sun there is income marginally on account of forex appreciation of Dollar against Rupee.

Krishna Prasad: And where is that getting accounted, under which line?

Sudhir Valia: It is 'Other Income' only.

Krishna Prasad: The other income this quarter essentially has 16 billion because of Taro and also some gain because of Sun, but if you look at it on a sequential basis we don't see the other income significantly higher.

Uday Baldota/ Sudhir Valia: There are other subsidiaries where there is exchange loss also. In Hungary that currency is now depreciated. So it's a combined result which you are reading.

Uday Baldota: Krishna, what you are saying is the Taro numbers are announced publicly, so you know how much a gain or loss is there, but other subsidiaries, there would be a gain or a loss and all of that would be clubbed in other income.

Krishna: ok, got it

Uday Baldota: Krishna, you will have to probably join the queue.

Moderator: We will take the next question from the line of Aditya Khemka from Nomura, please go ahead sir.

Aditya Khemka: Good morning, sir. Just wanted to understand if you have any guidance on how much the Taro R&D could ramp up to. Currently, you are doing about \$7 million which is about 5% of sales. So could you give us a flavor of how much this could ramp up to?

Dilip Shanghvi: In absence of Taro giving specific guidance, we will not be able to give extra information, but they have said that they are expecting this to go up.

Aditya Khemka: Could you quantify the one-off revenues that Taro has been talking about? Since Taro did a quarter sales above their quarterly run rate that we have seen, it would be helpful if you give us a flavor of the quantum of the one-off revenue that you are talking about?

Dilip Shanghvi: I don't think Taro said anything about one-off. They are saying that because of the market situation they are cautioning shareholders that some of the sales may not continue, that is the only thing which they have said, they have not said anything about one-off.

Aditya Khemka: Thank you sir. I will get back in the queue.



Moderator: We have Ms. Perin connected again, please go ahead sir with your question.

Manoj: Thanks for taking my question. Just want to understand typically about the domestic market, like have we restated our last year domestic formulation numbers?

Uday Baldota: Why is that question, Manoj?

Manoj: Because I think the last year number which you have reported on the formulation side, earlier it was around 630 crores which I think now it is reflecting at 615 crores, is a net of VAT.

Uday Baldota: We change it on account of VAT.

Manoj : The second question is for Dilip bhai, now looking at maybe next 2-3 years and we all are aware about the patent opportunity going off out of US, on a broader market, how do you see the outlook for the US market knowing the fact that now probably we have a base of around \$650-\$700 million in the US market itself?

Dilip Shanghvi: What is the question?

Manoj: How do you see the growth in the US market maybe over a period of next 2 to 3 years?

Dilip Shanghvi: Generally, we are unable to share long-term guidance, maybe at the end of the year, we will share what is our guidance for the next year but our approach always has been to invest in products and business opportunities, which will allow us to grow the business in short-term, medium-term and long-term.

Manoj: And the third thing our standalone tax rate for this quarter ex-Taro is around 9.5%, which is higher than what our usual tax rate, which is anywhere between 4% to 5%. So do we take this as going run-rate for the quarters coming up?

Dilip Shanghvi: Yeah it's likely.

Manoj: Thank you very much and that's all from my side.

Moderator: We will take a next question from the line of Mr. Bino Pathiparampil from IIFL, please go ahead.

Bino Pathiparampil: Dilipbhai last quarter you had said that by this quarter call, you may have a more specific update on the Caraco issues. Would you have anything more to share?

Dilip Shanghvi: That is one of the reasons why I avoid giving this kind of long-term things which are sometimes beyond our control because the regulatory process for bringing the facility back in compliance is not only in our hands, but there are other things and other people involved. So all I can share with you is that we treat the need for bringing Caraco back into compliance as important and critical focus and priority not only for Caraco management, but also for Sun manufacturing and quality people. So, hopefully, we should be able to share something related to this shortly.



Bino Pathiparampil: And on the new pharma pricing policy, have you worked on, what could be the effect on Sun Pharma, if it gets implemented in the currently proposed form?

Kal Sundaram: The policy draft that has come, we are reviewing it; there are still a number of areas in which we are seeking clarifications. Once we have lot more clarity, it will be possible for us to quantify the impact, it's a bit premature.

Dilip Shanghvi: But at the same point of time we have serious concerns about this policy and we believe that it hurts ability of Indian companies to invest in research and in a way it will also hurt our ability to both expand internationally and also compete effectively for business in India, where all international companies are trying to focus on India for growth, and for them India is a growth market, investment market, whereas for us it's a market where we have to generate cash flow to invest and grow outside of India. So we hope that the government will respond to many of the suggestions that we have given, for the proposed policy which we find extremely objectionable in terms of interest of the Indian industry, and they will modify the policy to help the Indian industry continue to compete internationally.

Bino Pathiparampil: One quick clarification also, if I roughly calculate the Sun Pharma margin excluding Taro it seems like Sun Pharma ex-Taro EBITDA margin has improved from something like 32%-33% last quarter to something like 37%-38% this quarter. I don't know if that is ballpark swing but if it is there will that inventory revaluation alone account for that or would there be something else?

Dilip Shanghvi: When you have so many moving pieces it's difficult to actually attribute any one particular item for the changes. But I think our focus as company always has been to emphasize on operations, cost control and finding a way to improve overall profitability.

Bino: Great, thanks a lot.

Moderator: Our next question is from Girish Bakhru from HSBC Securities, please go ahead.

Girish Bakhru: First, I just wanted some more clarity on Taro's higher growth numbers. If we look at some of the numbers in the IMS, lot of products show increase in market share like Nystatin, Clotrimazole and Hydrocortisone, so is it like some situations in the overall market scenario has changed that has led to this higher sales, and would this not be sustainable?

Dilip Shanghvi: I think since these are Taro products, Taro will need to respond, but we also see that there is an overall increase in market share for many of the products that Taro is operating in, and maybe that is both a function of current market situation, at the same time short-term opportunity.

Girish Bakhru: Right. On the ex-Taro US sales, if I see quarter-on-quarter we have grown about 40%, I'm not sure that number is entirely correct, but what could that higher growth be attributable to?

Dilip Shanghvi: Girish, you're talking of formulation business?

Girish Bakhru: Yeah, US formulation excluding Taro.

Uday Baldota: US formulation excluding Taro?



Girish Bakhru: Yeah.

Uday Baldota: We will take this offline.

Girish Bakhru: And lastly on the Able Labs, have we resumed our sales from the Able Labs facility?

Dilip Shanghvi: Yeah, we have.

Girish Bakhru: But that would not be a substantial driver in the near-term, right?

Dilip Shanghvi: We will bring back the products for which we have approval and hopefully we will start getting approval for new products going forward.

Moderator: Our next question is from the line of Anubhav Agarwal from Credit Suisse, please go ahead sir.

Anubhav Agarwal: Thank you, good morning. One question on Caraco, I know you said that you'll share more details later, but what stage it is in, have we started manufacturing the first product and what is the next milestone with FDA now on this facility?

Dilip Shanghvi: The FDA has to come, inspect the facility and give its view about certification of the facility.

Anubhav Agarwal: And just one more question, what is forward covers that we are currently carrying with us and at what exchange rate?

Sudhir Valia: We only look into the trade and we do activities as per that, whatever the exports we have orders and money receivable we cover, so we don't take any exposures without underlying.

Anubhav Agarwal: I agree, for example your last year annual report showed that you had 300 million plus forward contracts, based on the underlying, but that's exactly what I was asking that what is the quantum that has changed 300 million plus to now?

Sudhir Valia: Anyway, it's substantially lower; we have not done most forward contracts.

Anubhav Agarwal: You have not, right. Thank you.

Moderator: Our next question is from the line of Preeti Arora from Kotak, please go ahead.

Preeti Arora: The ROW sales excluding Taro's numbers seem to have gone down sequentially. Any reason for that?

Dilip Shanghvi: We will indicate what is our –

Kal Sundaram: What we call as ROW business from Sun both in terms of invoicing as well as the underlying demand has gone up by, in excess of, upwards of 20% compared to the same quarter last year. I don't know how you got computed this, maybe Uday may take this offline.

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Uday Baldota: You are looking at Q2 versus Q2, Preeti?

Sudhir Valia No, I am saying Q2 versus Q1, there is a dip in sales. Of course Y-on-Y it's a growth which I'm exactly getting as per your number, 85% Y-on-Y, but Q2 versus Q1 I'm getting a decline in sales.

Uday Baldota: I don't think that's a substantial decline? 250 crores versus 250 crores that's broadly the number that you have.

Preeti Arora: But it has declined sequentially excluding Taro sales.

Uday Baldota: We haven't done that computation separately but –

Dilip Shanghvi: No, also I think to do a Quarter-on-Quarter performance evaluation on business in Pharma market possibly is not the best way to look at performance, because there will always be certain amount of fluctuations in sales and supplies, because you get that tender, or seasonality, so many issues.

Kal Sundaram: The underlying businesses performing well and to our expectations.

Preeti Arora: Ok. One more question on your US formulations ex-Taro, while sequentially we see a pickup but you have got some seven approvals and six approvals in this quarter, so that's a good 13 in the first half, some of them are limited competition, so if you can just indicate if you're happy with the sequential pickup, or do you see it building in the second-half based on the current approvals?

Dilip Shanghvi: We actually have to do very well to meet our guidance is all what I can tell you. There is a lot of stretch in what we have promised.

Preeti Arora: And what is stopping you from launching Gabitril in the US?

Dilip Shanghvi: We don't have a final approval as yet... I think there is some inconsistency in the statement... I think there is a litigation which is preventing us from launching Gabitril. Teva has filed a TRO asking court as to prevent Sun from launching Gabitril.

We can have the next question.

Moderator Our next question is from the line of Sameer Baisiwala from Morgan Stanley, please go ahead.

Sameer Baisiwala: Good morning, everyone. First question is on Sumatriptan AutoInjector, how is this faring in the US market and is there any market feedback in terms of its advantages or preference over the conventional injection form?

Dilip Shanghvi: I think we are gradually getting traction for the product. The current largest competitors have prefilled syringe or Par which is selling the authorized generic from the innovator but the feedback is very positive and our approach is that rather than compete on price and get market share, it's better for us to find a way to create a niche using our differentiated products, it's a trade off

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between creating a sustainable revenue stream over long-term, over capturing market share at short-term in lower prices.

Sameer Baisiwala: And given the fact that this is an ANDA, you probably don't go to a doctor, so how do you influence the trade create channels to improve the acceptability for this?

Dilip Shanghvi: I personally feel that for new prescriptions, the existing Glaxo product requires a lot of pharmacists' time to educate the patient about how to use the product, compared to that our product requires very little education for patients. So we save significant pharmacists time which is really critical and expensive for pharmacies, and that should help us get the traction.

Sameer Baisiwala: And just one more question, if you are taking questions on SPARC, if I remember correctly Keppra XL NDA filing was due for this December quarter, are we on track for that if not only done it?

Dilip Shanghvi: I think you said it rightly that it's a SPARC question, but Uday will be able to help you understand.

Uday Baldota: Sameer, we will take it offline.

Sameer Baisiwala: Okay, and just one final question on Taro's future pipeline. Clearly, it looks like the Taro would be investing a fair bit in research which has not been done in the recent past. Just directionally speaking in what space would this pipeline buildup happen, would it be therapeutically, would it be derma or outside of derma? And second do you see opportunities in off-patent products or would it be new patent expirations?

Dilip Shanghvi: Our focus is on derm product which is what is their strength and capability and the idea would be to select products, which will allow us to compete in relatively low competition products, whether they are off-patent or patent protected going off in the future.

Sameer Baisiwala: Sure. And is it fair to say that if this were to commence today then at least we will get three to four year cycle before we can commercialize new products from this new pipeline that we will be building?

Dilip Shanghvi: I think this is a very aggressive assessment, because three years would be difficult, four years is feasible, but difficult objective.

Sameer Baisiwala: Ok, fair enough.

Moderator: Our next question is from the line of Nitin Agarwal from IDFC, please go ahead.

Nitin Agarwal: Thanks for taking my question. On the US business just wanted to check up with the Taro business now being performing away it is have we seen some positive spin off or rub off on the ex-Taro business also in terms of getting market share given our portfolio that the market is much larger, and some of those things?

Dilip Shanghvi: I don't see a relationship between current Taro business and the Sun business. However, Sun business on its own has been performing well and we expect it to continue to grow as we

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continue to get new approvals and not only new products but higher market share for the existing products will help us grow.

Nitin Agarwal: And Taxotere have we reached our optimal market share on the product or we are still gaining through the quarter we continue to gain market share on it?

Dilip Shanghvi: We have the product which is at a competitive disadvantage over competitors' product, so we have limited market share and that's the reason why we had not given specific guidance related to the size of the product and opportunity.

Nitin Agarwal: And lastly, on the ROW business, linked to the amount of cash that we hold, looking forward looking at the M&A strategy, are we still continuing to focus ourselves largely on the US in terms of focus geography or it's a larger ROW footprint also is going to be a target for the M&A, we could be looking at bolstering our ROW presence through the M&A route as we go along?

Dilip Shanghvi: We would invest in markets that we understand and we are familiar with, so large investments would be done only in US, we may look at investments in ROW, but those would not be very large investments.

Nitin: Ok, thank you.

Moderator: The next question is from the line of Arvind Bothra from Bank of America, please go ahead.

Arvind Bothra: Just a question on the domestic market growth. We have an underlying business growth of 18%, which is substantially ahead of market, but given that our franchise in chronic segment is so strong and we have improved on our rankings as well. Do we foresee a pick up faster than this rate and just wanted to understand your thoughts in terms of what our volume growth would-be especially after the Merck alliance as well?

Kal Sundaram: Like I said chronic is a long-term proposition, we continue to invest in the business with long-term orientation, while ensuring at the short term, our performance effectiveness is good, so all in all I wouldn't see any such substantial change to the current dynamics that you're saying.

Arvind Bothra: And we have got some products launched from the Merck stable right now, but do we see more such products in this fiscal, or would it be more of a 18 to 24 months visibility from your products in the Merck JV?

Kal Sundaram: The Merck JV is for sales outside India in emerging markets; it does not cover India. The two products that we have in-licensed from Merck in diabetes we have launched which we will continue to promote and grow.

Arvind Bothra: ok, thanks

Moderator: Our next question is from the line of Sonal Gupta from UBS, please go ahead.

Sonal Gupta: Good morning, everyone. Just one question was again on the guidance. You guided for 28% to 30% growth and given that the currency has depreciated very significantly since then, do not

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we see any upside to our current guidance numbers given that 60% to 70% is dollar-denominated sort of business?

Sudhir Valia: This exchange fluctuation can swing either side. Now, this dollar has gained against most currencies, in the next quarter it may happen reverse. So the swing is very difficult to predict.

Sonal Gupta: But if it stays here do you expect to exceed the guidance?

Sudhir Valia: Ultimately everything has to be percolated down into the accounts and that time again my same answer will be there, that we could not achieve because of this, why we should do this.

Sonal Gupta: In terms of the competition on the Taro side, what is your sense of how long could this low competition phase prevail for Taro and do you see that sustain over the next 3 to 4 quarters?

Dilip Shanghvi: It is difficult to answer this question. I wish I knew, it's not a question that I know the answer and I don't want to give you, the question that I don't know the answer.

Sonal Gupta: Thank you so much.

Moderator: Our next question is from the line of Kartik Mehta from Daiwa Capital Markets. Please go ahead.

Kartik Mehta: Sir, if you could throw some light on the new launch that you did in October in India, the inhaler from SPARC and how are we reaching out to specialists if this, have we added any field force here?

Kal Sundaram: As you know this is the product that SPARC's developed and in we have in-licensed this for India and going backward a couple of months ago we gave some 2000 to 3000 pieces of this device to a range of doctors in the country and the doctors gave it to the patients to use and the feedback has been extremely positive. So on the back of that we are very confident with the product to continue to do well in the market, asthma is a big market. And thirdly, we will focus on this device as well as building a platform technology we will also have a lot more opportunities, I'm talking medium to long-term to bring more products using the device in India. So far the feedback has been extremely positive. As you know that this is a product deliver more into the lung which means that you have to use nearly half of the dose of the existing devices, extremely patient-friendly and compared to the comparable devices in the country we have also made it more affordable to the patients, so every which way you look at it the signs are positive. I have very, very positive, strong hopes for the product going forward.

Kartik Mehta: Have we added any number of people in the initial stages to actually reach out to doctors there?

Kal Sundaram: We are already seeing the respiratory physicians and consulting physicians who treat asthma and we have been adding over a period of years more sales force to expand our coverage in respiratory area and as such we do not need any substantial increase, we even did a moderate increase this year. So as such for what we need to promote we have enough coverage, but more to the point what I say will be, the field force focus will be substantially towards promoting this product. So this product has been taken on priority and with that we have enough promotional coverage and focus for this product.



Kartik Mehta: So in this product basically you have product advantage as well as advantage in terms of the price as offered by your competitors, is that right?

Kal Sundaram: I think I will focus more on the product advantage. When you mentioned about the price, it is more from our desire to make the product more affordable to the Indian patients. So from a patient point of view this device is very, very easy-to-use, we talk about three simple steps to use the device and this being a long-term medication, lower the quantity you take, the better it is for you so that way it also delivers what the doctors and the patients expect you to do. So there maybe a number of features but these are the key features.

Kartik Mehta: If I may just ask my last one on Taro, so how do you decide the price that we will pay to the remaining shareholders? If I remember correctly, when we offered to the Caraco holders on the SEC site we could see 3-4 years estimates which were offered, and then this company was delisted. If we do that in terms of Taro do the independent directors have any such information, on what basis do they conclude that this is a fair price or not?

Dilip Shanghvi: I think there is a legally defined process and the same process which is followed for all listed companies to privatise will be also followed for Taro.

Kartik Mehta: And if you may want to add, is this price actually based on the existing product profile of Taro, or would you have also seen some amount of synergies between Sun and Taro maybe 3-4 years down the line, because on the standalone basis with only Taro operational performance at least in this quarter, even without the forex gains is fairly ahead of everybody's expectation, so actually how should one read in this?

Dilip Shanghvi: We have to allow the whole process to continue, and then form a view. I think forming a view today is not.....

Uday Baldota: Kartik, can we give an opportunity to others?

Kartik: ok, thanks

Moderator: Our next question is from the line of Ranjit Kapadia from Centrum Broking, please go ahead.

Ranjit Kapadia: Congratulations for good set of numbers. My question relates to the AIOCD data which you said that we are the 'Number One' position in seven categories, which includes consulting physicians, can you elaborate how this is different from six other divisions, this consulting physician is a separate class and all six other divisions do not include the income under the respective heads of this neurology, psychology and so on?

Kal Sundaram: First is when we spoke about the rank 'Number One' in seven specialties, the data is not from AIOCD, AWACS. There is another company by name CMARC which measures the prescription effectiveness of each company, each product with different specialties of doctors. Whereas AWACS measures essentially the sales by a company from to the wholesaler, and from the wholesaler into the trade. So first I wanted to clarify, the source of the information for this is not AIOCD. Then what happens is when you look at the doctors specialty, there are specialist doctors like neurologist,

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psychiatrist, gastroenterologist, when you go to consulting physician normally by and large these people will be in internal medicine so their own knowledge of treating patients would be higher than GPs but they do see a range of illnesses when a patient wants to see a specialist. So as such these people are being categorized as consulting physician, for example, cardiovascular patient, diabetic patient, and gastroenterology. And if the complication is probably the most severe, etc. at some point they may refer their patients to a specialist focusing in that area, that is a way it works.

Dilip Shanghvi: Consulting physicians are generally MD in Medicine, whereas all others consulting physicians are MD in specific therapy areas

Ranjit Kapadia: Ok, thank you..

Moderate: Our next question is from the line of Ketan Gandhi from Gandhi Securities, please go ahead.

Ketan Gandhi: This Exenatide clinical trial on 400 patients is being done by Sun Pharma. I believe that all the innovation were supposed to be done by SPARC and why this cost has been borne by Sun Pharma? Is there any conflict of interest? If not, then what activity will be taken by Sun and what will be by SPARC?

Dilip Shanghvi: You are talking of clinical trial in which country?

Ketan Gandhi: In US.

Dilip Shanghvi: I do not have the immediate information, but as soon as I have Uday would be able to give you specific information offline.

Ketan Gandhi: Okay sir.

Moderator: Our next question is from the line of Vrunda Shah from MP Advisors, please go ahead.

Vrunda Shah: My question is how much is the third party sales in the domestic Pharma in FY11?

Uday Baldota: We had given this breakup last quarter; I can send it to you separately again, Vrunda.

Vrunda: ok thank you.

Moderator: Our next question is from the line of Ajay Tyagi from PTI. Please go ahead.

Ajay Tyagi: This question is for Mr. Sanghvi. Sir I just wanted to know whether you are planning any acquisitions this fiscal or in coming fiscal and where would they be?

Dilip Shanghvi: I think for us to complete an acquisition will require also both a target, valuation coming within what we think is reasonable as well as willingness on their part to sell the business. So in such an environment it is difficult to quantify and define whether by which period we will do an acquisition. We continue to look at opportunities which meet with our business objective and if we are able to consummate any of them, that will strengthen our business further.

Ajay: thank you.



Moderator: Our next question is from the line of Ram Krishnan from Kotak, please go ahead.

Ram Krishnan: Sir, good morning. I was looking at the tax rate for the standalone, it is 8.9% Q2 versus last year Q2 was around 6%, and you were mentioning the tax rate will be around 9%. Could you throw some light on this?

Uday Baldota: There is no specific trend here that you see; it is likely to be more or less in line with what you have seen earlier or probably even higher than that.

Ram Krishnan: But you were saying that 9% will be the tax rate in one of the answers you were mentioning.

Dilip Shanghvi: That's a consolidated rate.

Ram Krishnan: So the standalone it will remain at 4%?

Uday Baldota: Even standalone will be higher, the change that you see from 6% to 4% there is no trend here, this is just a quarter specific issue here, ultimately it will remain high at probably 6% or somewhere near that. The consolidated rate that we are saying will be closer to 9%.

Ram: ok thank you.

Moderator: Our next question is from the line of Bino Pathiparampil from IIFL, please go ahead.

Bino Pathiparampil: The Protonix litigation, any update on the potential liability and related litigation?

Dilip Shanghvi: I don't think the litigation has commenced yet.

Bino: Ok, thanks

Moderator: Our next question is from the line of Preeti Arora from Kotak, please go ahead.

Preeti Arora: My question is on Caraco products which you may have site switched. There are a couple of products which will face patent expiry or generalization. So just wanted to understand next year what are Sun's efforts to monetize these opportunities?

Uday Baldota: Any specific names, Preeti you have?

Preeti Arora: Like Prandin, Provigil, Lexapro.

Uday Baldota: We don't have an approval.

Preeti Arora: But can you update us on the site switch for Prandin because the December last Caraco filing had clearly mentioned that would site switch, so how long do you think it would take?

Dilip Shanghvi: Site switch also is something which FDA has to accept, so not in the hand of a company to decide.

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Preeti: ok, thanks

Moderator: Our next question is from the line of Nimesh Mehta from MP Advisors, please go ahead.

Nimish Mehta: Thanks for taking my question. The constant currency US formulation sales without taking into impact any of the Forex gain or loss that you would have had.

Uday Baldota: The impact on Forex gain or loss will be just about 2% to 3%. For a foreign exchange movement the cost and dollar rate and the growth rate will be only 2% to 3%.

Nimish Mehta: In spite of a dollar appreciating by about 10 percentages?

Uday Baldota: the revenues are translated at the average rate and the average rate hasn't changed that much.

Nimish: fine, thank you.

Moderator: Our next question is from the line of Manish Jain from Axis Holdings, please go ahead.

Manish Jain: My question pertains to dry powder inhaler. Two things here; one is post your launch in October, will this product need any further design changes? And second is, if not, when do you start registering the product in non-Indian markets?

Dilip Shanghvi: The product will not require any design change, we may continue to get feedback about some one or two devices not performing as per all the defined parameters so that may require a small fix, but it's not a design change. The question as to when we start registering, I think we are in negotiations and discussions -- and this I am answering on behalf of SPARC-- is that they are in touch with regulatory agency and finding ways by which they can initiate studies. But that should take some time, and as the studies will commence we will inform the shareholders.

Manish: Fine

Moderator: At this time I would now like to hand the conference over to Mr. Uday Baldota for his closing comments.

Uday Baldota: Thank you everybody for joining us on this call. If you have any questions unanswered please let us know and we would be able to help you. Thank you.

Moderator: On behalf of Sun Pharmaceutical Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.