Corporate Participants

Dilip Shanghvi
Chairman and Managing Director, Sun Pharmaceutical Industries Ltd.

Sudhir Valia
Wholetime Director, Sun Pharmaceutical Industries Ltd.

Kal Sundaram
CEO Designate, Sun Pharmaceutical Industries Ltd.

Moderator: Ladies and gentlemen, good morning, good evening and welcome to the Sun Pharmaceuticals Q3FY10 Earnings Conference Call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you need any assistance during this conference, you may signal an operator by pressing * then 0 on your touch-tone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Uday Baldota of Sun Pharmaceuticals. Thank you and over to your sir.

Uday Baldota: Thank you Farah. Good morning and a warm welcome to our 2009-2010 3rd Quarter Earnings Call. I am Uday from the Sun Pharma Investor Relations Team. We hope you have received our third quarter financials and press release sent out yesterday. These are also available on our website.

Today, in addition to Mr. Dilip Shanghvi our Chairman and Managing Director, and Mr. Sudhir Valia Whole Time Director, I take pleasure in welcoming Mr. Kal Sundaram for this earnings call. Together they will discuss and respond to queries on performance highlights as well as updates on strategy. As is usual for ease of discussion, we will look at the consolidated financials. Just as a remainder, this call is being recorded and the replay of the call will be available till February 6, 2010. The call transcript will also be put on our website soon. Despite our best efforts, if we get delayed in posting the transcript online, in view of the series of investor conferences in the next week, the replay facility will be suitably extended.

It would be appropriate to mention that the discussion today may include certain forward-looking statements and these must be viewed in conjunction with the risk that our business faces. I would like to request all of you to kindly send in your queries that remain unanswered during today's earnings call, to uday.baldota@sunpharma.com or mira.desai@sunpharma.com. I will now hand over the call to Mr. Dilip Shanghvi.

Dilip Shanghvi: Welcome and thank you for joining us today for the earnings call after announcement of the financial results for the 3rd Quarter of 2009-2010.

First let me talk about Caraco and the progress made in returning to full GMP compliance.

As was reported by Caraco the day before yesterday, a work plan with necessary details has been submitted to the FDA. In conjunction with efforts to restart its manufacturing activity, Caraco has also begun to recall some of its employees who were part of the indefinite layoff earlier in the second quarter. Even while these efforts on resuming manufacturing are on, Caraco has transferred certain

of its own products to alternate manufacturing sites in an effort to regain some revenues. Overall, Caraco intends to continue to work with the FDA to effectively resolve the remaining concerns. At Sun Pharma, we are supportive of these efforts being made by Caraco.

I am happy to announce that Mr. Kal Sundaram will be formally joining Sun Pharma in April 2010. I am sure most of you know Kal personally. Hence, an introduction is really not necessary. Kal's joining Sun Pharma is a significant addition to our leadership capacity.

Now, we will follow our usual format where Mr. Valia will talk about performance and financial highlights and later I will come back to talk about the elements impacting our long term strategy and direction. I will now hand over the call to Mr. Valia.

Sudhir Valia: Thank you Mr. Shanghvi. Good morning everybody. Our 3rd quarter financials are already with you. As usual, we shall be looking at the key consolidated financials for the 3rd quarter and then for the first nine months. For the purpose of the profit and ratio analysis of the nine month financials on this call, the nonrecurring income reported by Caraco in the 2nd quarter has been considered below the operating profit.

Third quarter net sales are at Rs. 1024 crores, an increase of 12% over Q3 last year, as the domestic business has come back on track after excess supplies are used up, though, loss of revenues from Caraco manufactured products continues. Sales excluding Caraco are up 29%. Material cost as a percentage of the net sales is up at 28% from 19% in Q3 last year. The low material cost of last year was largely on account of non-recurring sales and profit from a product with extremely limited competition in the US market. Marginally, it was also on account of foreign exchange fluctuation as the currency had weakened in the last year, but this year it has gained. Staff cost for the quarter is at 11% of the net sales, marginally lower than the 12% in Q3 last year.

Other expenditure is 25% of the net sales, as against 23% of the net sales last year. As a result EBITDA at Rs. 372 crores during Q3 is 10% lower than Rs. 413 crores for Q3 last year. EBITDA margin at 36% is lower than 45% achieved in Q3 last year. Net profit after minority interest for Q3 is lower by 17% at Rs.339 crores from Rs. 409 crores. Net margin of Q3 is 33% which is significantly lower than 45% achieved in Q3 last year. The fall in margin is explained largely by the high base of Q3 last year due to relatively limited competition product sales in US. On fully diluted basis, EPS in Q3 is Rs. 16.40, down from Rs. 19.70 for Q3 last year.

Nine months' net sale is Rs. 2900 crores, not counting the non-recurring income of Caraco in the second quarter. There is a decrease of 8% over first nine months last year. Material cost as a

percentage of the net sales, is up to 29% from 20% in the corresponding first nine months last year. In addition to the last year's number being low, and due to the reason stated earlier, the current year materials cost has a significant component of the new cost at Caraco related to compliance efforts, compounded by the absence of manufacturing products revenue.

Though, the staff cost for the nine months is at 13% of the net sales as compared to 10% in the corresponding period last year, the absolute increase in the staff cost is 14% from last year to this year. The increase of the staff cost as a percentage of the net sales is also explained by a fall in the level of net sales. Other expenditure as a percentage of the net sales has increased from 22% for the first nine months last year to 30% these nine months. This is largely a phenomenon of the first half of the current year explained by new operations not existing last year and higher professional as well as registration charges. Hence, EBITDA for the first nine months is Rs. 851 crores, a decrease of 43% over last year, and resulting EBITDA margin is at 29% significantly lower than 48% achieved in the first nine months last year.

For the first nine months, net profit after minority interest is at Rs. 957 crores, a decrease of 33% over the same period last year. Net margin is 33% much lower than 45% in the first nine months of the year.

Now, we take a look at the business segments. Domestic formulation sales at Rs. 533 crores have grown by 24% in the 3rd quarter this year over corresponding quarter last year. During calendar 2009, which is a more appropriate period for a like-to-like comparison, sales have grown at 18% over calendar 2008. We continue to add market share with key specialities, as per the latest MAT IMS data, Sun Pharma market share is now 3.6%.

Our 5 main therapy areas Cardiology, Psychiatry, Neurology, Gastroenterology, and Diabetology accounts for over 70% of the domestic formulation sales. So far this year, 38 products have been brought to the market in India across 18 divisions. Pantocid group, Aztor, Strocit, and Gemer continue to grow at a double digit rate in the extremely competitive market.

Caraco recently announced its Q3 number. In absence of revenue from manufactured product, Caraco reported Q3 sales of USD 52 million down 7% from Q3 last year. Despite efforts at reducing the cost, net loss was USD 3 million for the Q3 compared to the net profit of 5 million in Q3 last year.

International formulation sales excluding Caraco have grown by 32% in Q3 and 31% in the first nine months when compared to the same period last year. In the rest-of-the-world branded generic

market, we expect a slow and a steady increase in sales as we build branded presence and generate prescription pull.

API business registered a healthy growth of 48% this quarter and 30% in the first 9 months. We scaled up 10 APIs this quarter. Thus, tally of the registered market approved API, that is filings of DMF and CEP, is 84 out of 148 filings. This growth is also contributed by the acquisition of Chattem to some extent. This is after accounting for a large part of API capacity that is being used internally.

With this I will now hand over to Mr. Shanghvi.

Dilip Shanghvi: Thank you Mr. Valia. As is evident from the numbers, our focus on building a strong generic pipeline continues. R&D expense for the third quarter is Rs. 51 crores based on the work of a 600-strong scientist team. Our patent library now stands at 245 patents of which 79 patents have been approved. In the third quarter, we received approvals for ANDA representing four products. Simultaneously, ANDAs for 4 products were filed. Thus, in the first nine months of year, the ANDAs for 15 products have been filed while the ANDAs for 14 products have been approved. Now between Sun and Caraco, ANDAs for 108 products await approval, including 12 tentative approvals. Based on our current filing schedule, we still intend to file ANDAs for close to 30 products during the financial year 2010.

By and large, barring the Caraco portion, the rest of the business, including branded products business, is on track and growing at the usual rates. Caraco is making progress towards addressing its manufacturing and regulatory difficulties. With the continuing uncertainties, we are currently not guiding for financial year 2010.

Before I end, an update on Taro is appropriate. I am sure that you have watched the recent developments on Taro. In the shareholders meeting held on 31st December, 2009, the minority shareholders of Taro rejected all the resolutions put forward by the board expressing their complete lack of confidence in all the board members. It is amusing to see that the board members and especially the independent ones still continue to litigate using Taro money and claim to protect minority shareholder interests, despite such a strong and unambiguous message from precisely those minority shareholders.

With this I would like to leave this floor open for questions, thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. At this time, if you would like to ask a question you may press "*" then "1" on your

touchtone phone. If you decide you want to withdraw your question from the questions queue, you may press * then 2 to remove yourself from the queue. Participants with questions may press * and 1 now. The first question comes from line of Sonal Gupta from UBS. Please go ahead.

Sonal Gupta: Hi, good morning. Just a couple of questions. How do we get 32% year on year non-Caraco growth because to me it seems that year-on-year even rest of the world has sort of declined.

Sudhir Valia: The base is small.

Sonal Gupta: No, if you look at it last year, Caraco did about USD 55 million in revenues and this year they have gone to USD 52 million, so even if you take it in rupee terms it's down about 10% and overall I think finished dosages international are down about 13%, so it does seem that rest of the world has also declined on Q3.

Dilip Shanghvi: Sonal I think on the call this would be difficult to explain. My suggestion is that you speak to Uday. We are reasonably comfortable with what we are guiding and the growth number that we are discussing.

Sonal Gupta: Okay. My next question was on the low R&D run rate compared to last year, is it a rate that you are comfortable with or is this a case of where just because of lumping of filings we are seeing this?

Dilip Shanghvi: A part of it is reduced R&D expense in Caraco, now that it is focusing on regaining compliance. Part of it is also on account of manufacturing operations commencement at Cranbury facility, but the numbers will come back to the kind of numbers that we historically used to have around 8%-10%.

Sonal Gupta: Okay. And just a final question on the low interest income this quarter, there is a significant drop quarter-on-quarter, what is the reason for that?

Suhir Valia: Regarding the interest rate, looking at the Indian scenario, we are not expecting a significant rise even in next year.

Sonal Gupta: Most of your assets would be invested in cash, money market instruments or --?

Suhir Valia: Fixed deposit or liquid money because we don't want to go into any other money market instrument.

Sonal Gupta : Okay, thank you.

Moderator: Thank you Mr. Gupta, the next question is from the line of Bino P. from IIFL Capital. Please go ahead.

Bino P.: Hi, just a couple of quick questions. On Caraco's shifting of some products to alternate manufacturing sites, could you give some idea of how significant that could be compared to the overall portfolio that Caraco had?

Dilip Shanghvi: Caraco had a large number of approvals. Caraco's focus will be to transfer some products which contributed significant revenue, but they have not guided as to the timeline by which these products will come back to market either from the third party site or their own manufacturing site.

Bino P.: And could I get your thoughts on Protonix going forward. What is the scenario now, how many players are actually selling it and if I get it right next January one of the key patents is expiring, so what is your expectation about further competition coming in?

Dilip Shanghvi: Currently three people are selling. Sun, we understand Teva also continues to sell and there is authorized generic. Two other people have tentative approval on Protonix; Dr. Reddy's. Schwartz Pharma has a final approval. I expect these people also to come to market once they feel that there are no potential liability issues.

Bino P.: Okay. Do you think it is this Jan patent which is holding them off the markets?

Dilip Shanghvi: That's right.

Bino P.: Okay. Since you originally launched Protonix, has your pricing declined from those levels or are you maintaining that level of pricing?

Dilip Shanghvi: Generally generic products will always see price decline, that's the overall guiding principle. I will not have specific guidance related to Protonix right now; I don't know whether Caraco has given any details.

Bino P.: Okay thanks. And one last question on tax rate-- it looks like this year, we are heading to a higher tax rate than what we have seen in the previous years, is that going to be the case and going ahead in next year, how will that be?

Sudhir Valia: This year, definitely tax rate will be higher because of the increase in the MAT, but it will get stable at some marginally higher rate than what we used to have.

Bino P. Okay, so if we are looking at something like 6%-7% this year that should be stable for the next few years.

Sudhir Valia : Should be.

Bino P.: Okay, thank you very much.

Moderator: Thank you. The next question comes from the line of Cheenu Gupta from Tata AIG. Please go ahead.

Cheenu Gupta : We have seen extremely good growth in domestic market not only for our company but for the overall industry, if you could please highlight some key factors which have resulted in the same?

Dilip Shanghvi: Its difficult to talk of the industry. For us overall the first two quarter were subdued because we had pipeline inventory that needed to be used up, but otherwise there is some element of third party business in this quarter which was non-recurring, but even if we take that out, our business has grown by around 21% in India.

Cheenu Gupta: Okay and that would be a sustainable growth rate now going ahead for the next quarter?

Dilip Shanghvi: Historically we used to guide for around 15%-18% overall growth.

Cheenu Gupta: Okay. You told us about Caraco beginning to recall some of its employees, so would there be any rough timeframe by which the company is assuming the sales will resume?

Dilip Shanghvi: No, they haven't shared any specific date. But before they can come back the process will require that they have to revalidate their products and once FDA accepts the revalidation and return to GMP after a new inspection, they can come back to market.

Cheenu Gupta: Okay. Then lastly what would be the current cash on books, the current cash level?

Sudhir Valia: <inaudible> So if we look at the total number...

Dilip Shanghvi: There is no material difference.

Cheenu Gupta: Okay, thank you.

Moderator: Thank you Ms. Gupta. The next question comes from the line of Ranjit Kapadia from HDFC securities. Please go ahead.

Ranjit Kapadia: Good morning. Two questions, first relates to API business, where Sun has reported 48% growth. Can you elaborate how this is achieved and going further what should we expect for the business? Second question is related to Taro, what are the next developments we should look at?

Sudhir Valia: API is a lumpy business and volatility is a very common phenomenon in the business. Secondly, we had acquired a company in the US called Chattem. Last year, those numbers were not part of our results, and this year Chattem's numbers are added to the top-line.

Ranjit Kapadia Excluding this addition, can you throw on how much is the API growth?

Sudhir Valia: At some point,(until the stoppage of manufacturing at Caraco) we used to feed API to Caraco, this year such API sales have not happened. The sale of API to any of our captive consumption gets knocked off at the time we do consolidation of accounts. Now that Caraco is not consuming these APIs, these volumes are available for other markets in which they are sold. So it's a mixed scenario.

Ranjit Kapadia: Going further what is your expectation for this business?

Sudhir Valia: We would like to retain market share.

Ranjit Kapadia : Okay. And can you give an update regarding Taro?

Dilip Shanghvi: We wait for the judgment of the Supreme Court. Otherwise I had shared the progress of what happened at the shareholder meeting.

Ranjit Kapadia: And is Sun planning to put independent directors on Taro's board?

Dilip Shanghvi: No, we have currently no such plans.

Ranjit Kapadia: Okay, thank you very much and all the best.

Moderator: Thank you Mr. Kapadia. The next question comes from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma: I wanted clarity on what was on the staff cost, if it's gone down and we have started recruiting people back, putting people back on the rolls in Caraco. So I wanted to know the discrepancy between the two. Secondly the depreciation has also gone off slightly, is it because of some sale of asset? Could you throw light in both these developments?

Sudhir Valia: After Caraco was closed, retrenchments had been given, so staff costs had gone down and now they started doing activity which requires a recall of some people, so for this period, there is a reduction in the staff cost to that extent.

Dilip Shanghvi: The recall is very recent, so it would not be material in terms of impacting the overall increase.

Rahul Sharma: But do you see staff cost reverting to older preceding-quarter levels going ahead?

Dilip Shanghvi: I think when Caraco comes back to normal production there will be an increase in Caraco's staffing cost. How much that will be, we currently cannot be very specific, but it will be much higher than what it is today. Actually I think the depreciation and amortization....

Sudhir Valia: There is no sale of assets. There is basically some reconciliation and the excess depreciation provided has been recovered.

Rahul Sharma: Okay so this is a one-off thing which has happened in this quarter.

Dilip Shanghvi: Yes, correct.

Rahul Sharma: Okay. I also share the same concern with the previous speaker on international formulation sales, could you clarify that offline, if possible?

Uday Baldota: Yes Rahul, we will talk about that, I will explain that arithmetic involved.

Moderator: Thank you Mr. Sharma. The next question comes from the line of Abhay Shanbhag from Deutsche Bank. Please go ahead.

Abhay Shanbhag: Yes, now that you have started recruiting people back in Caraco, what sort of timelines can we expect in terms of Caraco getting approvals to restart operations?

Dilip Shanghvi: Caraco will guide at a point when they are coming back to market. It is all linked with their revalidating and their coming back in compliance with GMP. Also FDA coming back and

inspecting them. So parts of the activities are in the hands of the company, part of the issue is linked with FDA's ability to come and inspect the plant for recertification.

Abhay Shanbhag: In the past also you have been saying that there are two parallel steps, one trying to shift out products and the second obviously trying to get Caraco quickly on its feet as possible. So if the shifting actually happens, how much of the revenues can come from products which are shifted out, any ballpark number? Will 20-30% of the revenues come back or will it be 50% or what sort of number can we expect from Caraco in the next couple of quarters?

Dilip Shanghvi: To answer you will be very difficult because of two issues. One is ability of the new product to be brought to market. The second is ability to regain market share because even when these products are back in the market the products need to be accepted by customers. So regaining market share without significantly impacting pricing is a gradual process. So to that extent you have to be conservative in adding significant numbers to any product made at a third party.

Abhay Shanbhag: Just taking this question forward, when you start, as and when the product is reintroduced by what time, would it be able to gain 80% of the older volumes, would it be a year or so, or will it be longer than that?

Dilip Shanghvi: Honestly I do not know because for some products we may regain much faster, some products we may never regain. It all depends also on the new competition and their intention to retain their share.

Abhay Shanbhag: One final question. Now that the market seems to be slowly getting back on its feet, would you again be beginning to restart looking at M&A with the cash that you have or will it be much longer before you start looking at M&A?

Dilip Shanghvi: No, we have shared this with the investors in the past that we continue to look for attractive opportunities to invest. It needs to fit our both strategic and financial criteria for investment before we will consider them.

Abhay Shanbhag: Again, the focus markets would remain US-India or you would now include a bit more of the other markets you know coming into play?

Dilip Shanghvi: Currently the focus is the US.

Abhay Shanbhag: So your M&A strategic focus would still be on the US market, you would not look at any other market?

Dilip Shanghvi: That is correct.

Abhay Shanbhag: Okay sir. Thank you.

Dilip Shanghvi: Thank you.

Moderator: Thank you. The next question comes from the line of Manoj Garg from Emkay Global, please go ahead.

Manoj Garg: Yes good morning. Welcome on board, Mr. Sundaram. I just want to understand the role Mr. Sundaram is going to play. Is it more related to domestic markets or overall for the Sun Pharma?

Dilip Shanghvi: Mr. Sundaram is joining as full-time CEO and he will be looking after exports of branded formulations out of India and also the domestic business. In addition to that he will also be working with me closely for developing long-term strategy for business for Sun Pharma going forward.

Manoj Garg: Okay. Fair enough. Can you throw some light on the launch of generic version of Effexor XR. Do you still feel that there is a fair possibility of launching it under limited competition?

Dilip Shanghvi: We should be able to sell Effexor XR generic once we get approval for it. Faster we get approval, better will be our ability to get market share.

Manoj Garg: Any possible timeline?

Dilip Shanghvi: We do not have timelines but what I can share with you is that there was a citizen's petition filed by Osmotica which has been rejected by FDA a few days back. So that was the only citizen's petition which could have prevented approval of our products.

Manoj Garg: Thank you very much and wish you all the best.

Moderator: Thank you Mr. Garg. The next question comes from the line of Nitin Agarwal from IDFC Securities, please go ahead.

Nitin Agarwal: Hi, good morning. Just wanted to check on the controlled substance portfolio in US-- has it started shaping up? Has the contribution from the portfolio started inching up materially from this quarter onwards or still it is in early phases?

Dilip Shanghvi: It is still in early phases.

Nitin Agarwal: And overall, from the US sales this quarter compared to the last quarter, is it a material difference of composition between the Pantoprazole sales and other business.

Sudhir Valia: It would vary from time to time.

Dilip Shanghvi: Since there is a change in the overall sales of Caraco, there would be change in the proportion also.

Nitin Agarwal: Okay. In the second quarter you had provided an estimate for recurring PAT for the quarter. Is there any element of lot of one-offs in this quarter?

Dilip Shanghvi: No. There is no one-off in this quarter.

Nitin Agarwal: Okay. Thank you very much.

Moderator: Thank you. The next question comes from the line of Sameer Baisiwala from Morgan Stanley, please go ahead.

Samir Baisiwala: Good morning everyone. The first question is on Protonix. Over last three-four months on IMS number it looks like market shares have gradually gone up to about 24-25%. Is this something that we should expect for the next 12 months or would there be any change out there?

Dilip Shanghvi: I think it is difficult to guide specifically, but we are not expecting any significant increase in sale of Pantoprazole for Sun as a company going forward.

Samir Baisiwala: The second question is on Effexor XR, if my memory is correct there is second citizen's petition as well filed by Osmotica and do we need to worry about that as far as the approval is concerned for Sun Pharma?

Dilip Shanghvi: The citizen's petition where Sun was to file using two of the Wyeth patents for Para-IV has been denied, so which one is pending after that? My understanding is that the no more citizen petition yet to be responded to by the FDA.

Samir Baisiwala: There is none according to you.

Dilip Shanghvi: That is our understanding.

Samir Baisiwala: What is your percentage in return on cash on the balance sheet, cash, liquid fund, and FD all put together?

Sudhir Valia: Around 5% to 6%.

Dilip Shanghvi: No but some of the money will be also in shares of Taro so that will fetch more returns in terms of actual returns.

Samir Baisiwala: Yes, I mean excluding strategic advancements.

Dilip Shanghvi: Around 5% or so. Some money outside India will be at even lower rates.

Samir Baisiwala: Okay. Thank you sir.

Moderator: Thank you. The next question comes from the line of Rajesh Vora from ICICI Securities, please go ahead.

Rajesh Vora: Yes, good morning gentlemen and congrats on good set of numbers. Dilipbhai just taking further the question on venlafaxine. There was a second citizen's petition as well, filed by Osmotica after the first citizen's petition which has been already replied by FDA as you rightly said. Somewhere in August or September if I remember correctly. I do not know how serious that is supposed to be, regarding some testing for alcohol. Does that have any significance?

Dilip Shanghvi: No.

Rajesh Vora: Okay and secondly now is there a timeline in which we could expect FDA to react or we have to just wait and watch?

Dilip Shanghvi: No, we have to wait.

Rajesh Vora: Okay and just last point that even if Teva launches the capsule form in June as per their settlement with Wyeth, the pricing will continue to remain favorable-- of course not as favorable as now-- but it still it gives Sun Pharma a decent window of opportunity during those six months as well. Is that right understanding?

Dilip Shanghvi: It is correct.

Rajesh Vora: Okay. And last question on stand-alone numbers. There is a Rs.48 crore loss on investments in the first nine months so that has to do with your liquid investments or is there anything strategic?

Dilip Shanghvi: Rajesh, just a moment. You are talking about the previous quarter-- there is some loss on the standalone.

Rajesh Vora: Correct, there was a gain this quarter of Rs. 16 crores but cumulatively 9 months there is a Rs.48.5 crores loss in the stand alone. So is it relating to the liquid investments that you have or is it strategic investment related?

Dilip Shanghvi: This is loss on liquid investment. We do not actually expect a longer term loss but this is something that we have booked for the purpose of current legal compliance.

Rajesh Vora: Okay. Thanks and all the best.

Moderator: Thank you Mr. Vora. The next question comes from the line of Surjit Pal from Elara Capital, please go ahead.

Surjit Pal: Yes my question for Osmotica has been answered already so what my question that remains is when could we expect the approval. Is there any formality left on your side in order to comply with FDA, to get clearance so as to get the benefit of next six months?

Dilip Shanghvi: No, we continue to work with the FDA to see whether there is anything remaining to respond on any of the issues whether CMC or die or manufacturing we still do not have clarity as to what is holding up the approval. So it is difficult to give a specific timeline.

Surjit Pal: Generally what we have seen is that the moment citizen's petition rejected, within the next two days we see the product get approval. So how much time has gone by after rejection of citizen's petition?

Dilip Shanghvi: Some three-four days. This is still not on the FDA site.

Surjit Pal: All right. Thank you.

Moderator: Thank you. The next question comes from the line of Bhavita Nagrani from MP Advisors, please go ahead.

Bhavita Nagrani: Can we take the current quarter's revenues and margins as base?

Dilip Shanghvi: For what purpose?

Bhavita Nagrani: For the upcoming period, can we take current quarter's revenues and margins as the base?

Dilip Shanghvi: You cannot take the Caraco number as a base because currently Caraco is not selling. All products and businesses you can take as base. Mr. Valia also explained that for bulk drug business since we are not selling API to Caraco, which was not coming in top-line after consolidation-- it is being sold to third party and it is coming in as sales. So to that extent the bulk drug base business is over-stated, and once Caraco restarts, then that capacity may again be diverted to supply to Caraco.

Bhavita Nagrani: Okay. Thank you.

Moderator: Thank you Ms. Nagrani. The next question is a follow-up question from the line of Sonal Gupta from UBS, please go ahead.

Sonal Gupta: Hi. Just wanted to understand, you previously talked about risk profile especially relating to Protonix and it does seem that the pricing has deteriorated significantly, and believe that your market share has gone up, but seems like you are obviously shipping more. So how does it fit in with the previous thing that we maintained on the risk profile and the risk amount that we wanted to take on absolute basis?

Dilip Shanghvi: No, we remain cautious about our risk and we remain conscious in terms of not aggressively reducing pricing, so we follow pricing.

Sonal Gupta: Okay. And just on other than Protonix and the Caraco business, what is the rate that you expect given that a large chunk of ANDAs and approvals are coming for Sun Pharma ANDAs rather than Caraco? What is the growth we can expect on the core business side in the US for Sun Pharma?

Dilip Shanghvi: You mean to say Sun core business growth?

Sonal Gupta: Yes, obviously Caraco has issues, so leaving aside Caraco.

Dilip Shanghvi: Sun business will continue to grow. It is difficult to give you a specific number because quite a few of these would be linked with approval of products but as we have explained in the past we intend to work aggressively to become a meaningful player in the US market so to that extent our focus continues.

Sonal Gupta: Okay, thank you.

Moderator: Thank you Mr. Gupta. The next question is a follow-up question from the line of Abhay Shanbhag from Deutsche Bank, please go ahead.

Abhay Shanbhag: Typically we see that whenever Teva launches a product in the market it gets a significant market share. So even if you get approvals in June or so, would you be comfortable launching your Effexor XR, which is non-AB rated?

Dilip Shanghvi: Yes I think your observation that Teva succeeds in getting a significant share of market is very valid. However in a product in which there are not many players we can at least work towards gaining a respectable market share. And if pricing is attractive then even that market share should be fairly attractive for Sun Pharma.

Abhay Shanbhag: And would that market share be in double digits, when you say attractive?

Dilip Shanghvi: That is very futuristic, but I think we will aspire to try and do our best, but it is too difficult to predict finally how much we will do.

Abhay Shanbhag: Fine, thank you.

Moderator: Thank you. The next question comes from the line of Surjit Pal from Elara Capital, please go ahead.

Surjit Pal: Yes in continuation with this, what will be your marketing strategy because you would have seen at least a year's time of Osmotica strategy of sales and the impact in their top-line, so can you throw some light on that? And also give us a view of how easy it is to sell non-AB rated product competing within the next six months, an AB rated product or better league product? How are you going to convince your clients, particularly the retail customer?

Dilip Shanghvi: No, I think selling a non-AB-rated product in a situation where there is an AB rated product in market is more challenging than selling a product without the AB rated product. So there will be two potential situations, if we get approval early on, then we have a period in which we are

the only generic in market in which case there will be one market share; and if we have a situation where we get approval along with Teva or only a little before Teva then there are two products in market, one AB rated and one which is non-AB rated, in which case the share will be much lower.

Surjit Pal: So in this case what I foresee is that even going to basically dissect Osmotica market share whatever they have grabbed till date, and what could be the revenue they have announced from this product in the last year itself?

Dilip Shanghvi: So I think our objective would be to try and get a share of Effexor volume and not Osmotica volume.

Surjit Pal: Okay thanks.

Moderator: Thank you. The next question comes from the line of Nitin Agarwal from IDFC Securities, please go ahead.

Nitin Agarwal: Hi, Is there any timeline for the Supreme Court verdict on Taro?

Dilip Shanghvi: No.

Nitin Agarwal: Okay. And secondly any updates on the court proceedings for Pantoprazole. When is the next hearing due for that?

Dilip Shanghvi: I think sometime in April.

Nitin Agarwal: In April this year?

Dilip Shanghvi: Yes.

Nitin Agarwal: Thank you very much.

Moderator: Thank you Mr. Agarwal. The next question comes from the line of Manish Jain from Axis Holding, please go ahead.

Manish Jain: Yes hi Dilip, two questions. One is we just want to get an insight, do you have a program for biologics and that is not just restricted to biosimilars alone, but things like vaccines and overall biotech, and the second question is on your Bangladesh manufacturing facility, are you doing any exports out of that plant?

Dilip Shanghvi: Currently we have no significant program in biologics whether recombinant products or vaccines. We are currently using biotechnology only as a tool for drug discovery for developing various assays for products that we are developing. Bangladesh is not being used as an export site for products but the idea would be over a period of time to use Bangladesh also as a site from which we export to other markets.

Manish Jain: Thanks. Just to follow-up on Sun SPARC, where the last formal presentation was in March 2007, it is nearly three years, when do you propose to give an insight on that side?

Dilip Shanghvi: Before the next conference call of Sun Pharma so you cant ask this question again.

Manish Jain: Excellent. Thank you very much.

Moderator: Thank you Mr. Jain. The next question comes from the line of Jyoti Datta from the Hindu Business Line, please go ahead.

Jyoti Datta: Good morning Mr. Shanghvi. Just wanted to get your observation on the recent drug controller's concern on obesity drugs and regarding letrozole, what is the status now?

Dilip Shanghvi: I think we are not currently marketing the drugs for obesity which are the cause of concern. About letrozole my understanding is that there is a DTAB meeting to review the approval of letrozole sometime in the month of February and that will then review the current status of letrozole to be used for infertility.

Jyoti Datta: Okay. But you have not been selling it till now? It is not been in the market?

Dilip Shanghvi: It is on the market. We have an approval for marketing it for infertility.

Jyoti Datta: And is it a very big product?

Dilip Shanghvi: Not a significant product.

Jyoti Datta: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Girish Bakhru from JM Financial, please go ahead.

Jesal: Yes sir, this is Jesal. Just a question on your hedge position. Can you tell us what the outstanding hedges are?

Sudhir Valia: We do not do any foreign exchange except for the business transactions where only the exports and imports are taken care of.

Jesal: So this means no outstanding hedges?

Sudhir Valia: If there is a transaction it will be covered.

Jesal: Okay. What is the hedge position basically for the transactions, the business transactions?

Sudhir Valia: We have cover for exports

Jesal: All right. And the second question is on US FDA inspections. Can you tell us if any inspection has happened recently and when do you expect one to happen for your Indian facilities?

Sudhir Valia: See these inspections have happened even last year…

Dilip Shanghvi: Even last quarter we had an inspection. I think in last 12 months we have had three or four inspections. I do not know the exact number but we had three or four sites inspected and no major observation.

Jesal: Okay, and lastly in terms of the approvals, you have some 80 plus products pending approval just from your Indian facilities, would you say that you have effectively addressed all the opportunities which are coming off patent in the next one or two years in the US from your Indian facilities itself?

Dilip Shanghvi: No, I do not think we have addressed all because there will be many products that we have not filed.

Jesal: Okay thank you.

Moderator: Thank you Mr. Bakhru. The next question is a follow-up question from the line of Surjit Pal from Elara Capital, please go ahead.

Surjit Pal: Yes, this is Surjit again. Do you have any clarity after meeting the US FDA on Lupron Depot and when are you planning to file and is there anything worrying?

Dilip Shanghvi: We have not actually met with FDA on Lupron Depot for a long time but hopefully we should. As I have shared in the past, these are complex products and more and more we work

with view to we understand additional issues complicating the filing further. Hopefully we should be able to do something on the Lupron Depot sometimes in the next financial year.

Surjit Pal: You are basically awaiting what are the steps or the process USFDA requires for filing that product? Is that the main reason?

Dilip Shanghvi: No, we have to meet with US FDA expectation for filing even before we file.

Surjit Pal: Right. So then you do not have to wait for a long time.

Dilip Shanghvi: So that the filing is accepted.

Surjit Pal: Okay thanks.

Moderator: Thank you Mr. Pal. As there are no further questions, I would like to hand the floor back to Mr. Baldota for closing comments. Over to you sir.

Uday Baldota: Thank you everybody for joining us on this call. If you have any balance question feel free to connect with me or Mira. Thank you.

Moderator: Thank you very much. On behalf of Sun Pharmaceuticals that concludes this conference. Thank you all for joining us and you may now disconnect your lines.