**Corporate Participants**

**Dilip Shanghvi**
Managing Director, Sun Pharmaceutical Industries Ltd.

**Sudhir Valia**
Whole Time Director, Sun Pharmaceutical Industries Ltd.

**Kal Sundaram**
CEO (India, Emerging Markets & CHC Business), Sun Pharmaceutical Industries Ltd.

**Abhay Gandhi**
CEO (North America Business), Sun Pharmaceutical Industries Ltd.

**Moderator:** Ladies and gentlemen, good day and welcome to the Sun Pharmaceutical Industries Limited Q4 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nimish Desai. Thank you and over to you, sir.

**Nimish Desai:** Thank you. Good evening and a warm welcome to our fourth quarter and full-year FY18 earnings call. I am Nimish from the Sun Pharma investor relations team. We hope you have received the Q4 financials and the press release that was sent out earlier in the day. These are also available on our website.

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

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

I will now hand over the call to Mr. Shanghvi.

**Dilip Shanghvi:** Welcome and thank you for joining us for this earnings call after the announcement of financial results for the fourth quarter and full year FY18.

Let me discuss some of the key highlights:

Our overall sales for the quarter were at Rs. 6,711 crores, a de-growth of 2% over same quarter last year. The decline is primarily driven by the US and API businesses. All our other businesses have grown for the quarter.

In line with our EBITDA margin guidance, our overall performance for Q4 reflects a gradual improvement in EBITDA margins over the first half of the year. This is despite a challenging US generic pricing environment and continued investments in building our global specialty business.

Our full year revenues have declined by 14% YoY. However, on constant currency basis and adjusted for GST impact, there is only a marginal miss in our guidance.

I am happy to share that we have recently received approval for Yonsa in the US which can be an interesting product. This is a step forward in building our specialty business in oncology.

On US generics market outlook, we expect the market to remain competitive. Given the changed business dynamics, many of our generic R&D projects have become unviable and we are rationalizing generic R&D spend.

We have announced a dividend of 200% which represents a payout ratio of 27%. This is lower than last year, but all of you will appreciate that we are investing for future and hence need to conserve cash.

I will now hand over the call to Mr. Valia for discussion of the Q4 performance.

**Sudhir Valia:** Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q4 financials are already with you. As usual, we will look at key consolidated financials.

Q4 sales are at Rs. 6,711 crores, down by 2% over Q4 last year. Material cost as a percentage of sales was 26.4%, lower than Q4 last year mainly due to better product mix as well as lower COGS for Taro. Staff cost was at 20% of sales, higher than Q4 last year. This increase is mainly due to the expansion of the specialty teams in the US. Other expenditure was at 32.5% of sales higher than Q4 last year due to higher R&D costs and increased investments in building the specialty business.

As a result of the above, the EBITDA for Q4 was at Rs. 1,417 crores, with EBITDA margins at 21.1%.

Net profit for the quarter was at Rs. 1,309 crores, up 7% over Q4 last year. EPS for the quarter was Rs. 5.50.

Excluding the one-time tax benefit, the adjusted Net profit for the quarter was at Rs. 1,050 crores.

Now we will discuss the full year performance. Net sales were at Rs. 26,066 crores, a decline of 14% over last year. Material cost, as a percentage of the net sales was 28.5% which was higher compared to last year. The staff cost for the full year was at 20.6% of net sales while other expenses were at 31%, both higher than last year. These increases were driven by loss of Imatinib exclusivity in US, lower profitability for Taro and a challenging US generic pricing environment.

As a result of the above the EBITDA for the full year was at Rs. 5,185 crores with EBITDA margins at 20%.

Net profit for the full year was at Rs. 2,162 crores. There are three large one-time items which has impacted the net profit number. One is the Rs. 259 crore of one-time tax benefit reported in Q4, second is the Rs. 513 crore of one-time deferred tax adjustment related to changes in US tax rates reported in Q3, and the third is the Rs. 951 crores settlement impact related to the Modafinil anti-trust litigation announced in Q1 this year. Excluding all these one-time impact, the adjusted net profit for the full year was Rs. 3,367 crores with net profit margin at 13% compared to net profit of Rs. 6,964 crores for full year last year. Net profit for last year included the benefit of the 180-day exclusivity for Imatinib in US which expired in July-2016.

Let me now briefly discuss Taro's performance.

Taro posted Q4 FY18 sales of US$ 175 million, down 11% over Q4 last year. For the full year, sales were US$ 662 million, down 25% over last year. Taro's net profit for Q4 was US$ 86 million, up by 4% over Q4 last year. Net profit for full year was US$ 211 million, down by 54% year-on-year.

I will now hand over to Kal Sundaram, who will share the performance of our India & Emerging Markets business.

**Kal Sundaram:** Thank you Mr. Valia. First let me take you through the performance of our India business.

For Q4, sales of branded formulations in India were Rs. 1,963 crores, a growth of approximately 2% over Q4 last year and accounting for approximately 29% of total sales. Growth for the full year was at 4%. As indicated in our previous call, this was a transition year for the industry with the introduction of GST in India and hence growth comparison with prior periods will not be appropriate. Post the adjustment for GST impact, the full year growth was approximately 9%. Our efforts to improve productivity is paying dividends with wage inflation for the field force more than offset by incremental sales. Our core therapeutic segments continue to show strong growth and thus enable us to maintain leadership in these therapeutic areas.

Sun Pharma is the largest pharmaceutical company in India and holds approximately 8.5% market share in the over Rs. 119,000 crore pharmaceutical market as per March 2018 AIOCD-AWACS report.

As per latest SMSRC report, Sun Pharma is ranked no. 1 based on share of prescriptions with 13 classes of doctors. For Q4, 15 new products were launched in the Indian market.

Let me now focus on our performance in emerging markets.

Our sales in emerging markets were at US$ 199 million for Q4, a growth of 10%. Emerging markets accounted for 19% of total sales. The growth is broad-based amongst emerging markets. Key markets which contributed to the growth were Romania, Eastern Europe, Middle East, North Africa and some Asian markets.

I will now hand over the call to Abhay.

**Abhay Gandhi:** Thank you Kal. I will briefly discuss the performance highlights of our US businesses.

For Q4, our overall sales in the US were down 3.3% at US$ 368 million, accounting for approximately 35% of overall sales. The main reasons for the year-on-year decline in our US revenues include pricing pressure due to customer consolidation, lower generic Imatinib and authorized generic sales.

On Absorica, as you know, we have made certain changes in co-pay program because of which prescriptions have gone down. However, we expect sales and profits on the product to improve going forward.

A recent development was the announcement of measures by the US government to lower drug prices for consumers in US. We are currently studying the details of proposals and will be able to comment on it going forward.

Let me now update you on developments in our specialty business.

During the quarter we announced the US FDA approval of our BLA for Ilumya. We have commenced launch preparations and we will be launching the product in Q2FY19. This marks a significant step forward for our specialty dermatology portfolio.

Another recent development was the US FDA approval for Yonsa, a product for treating metastatic castration-resistant prostate cancer in combination with methylprednisolone. We have initiated launch preparations and will be commercializing the product in the current quarter. We are pleased to add Yonsa to our growing specialty oncology portfolio.

As all of you are aware, the US FDA accepted our NDA for OTX-101 in December 2017. We expect to commercialize this product in FY19.

We will be incurring significant costs for commercializing these specialty products.

I will now hand over the call to Mr. Shanghvi.

**Dilip Shanghvi:** Thanks you Abhay. I will briefly discuss the performance highlights of our other business as well as give you an update on our R&D and specialty initiatives.

Formulation sales in Rest of World markets excluding US and Emerging Markets were US$ 116 million in Q4, a growth of 5.7% over last year. ROW markets accounted for approximately 11% of Q4 revenues.

We continue to focus on developing and utilizing APIs for captive consumption for benefits of vertical integration. For Q4, the external sales for our API business were at Rs. 332 crores, down by 16% over Q4 last year.

We continue to invest in R&D for enhancing our pipeline. Consolidated R&D investments for Q4 was Rs.743 crores, accounting for 11% of sales. This R&D spending enables development of future

product pipeline including specialty and differentiated products. Our current generic pipeline for the US market includes 139 ANDAs and 3 NDAs awaiting approval with the US FDA.

And finally on the FY19 guidance.

We expect a low double-digit growth in our consolidated topline. This is despite our assumption that the US generics market will continue to be competitive. R&D expenses will increase due to clinical trial expenses for a new indication for Ilumya and other specialty product development. Overall R&D investments likely to be in the range of 8-9% of FY19 sales, with a higher proportion being spent on specialty R&D.

FY19 will mark crossing of some important milestones in our specialty journey. As indicated by Abhay, we plan to commercialize Ilumya, Yonsa and OTX-101 in the US market in FY19 and hence will have to incur significant expenses for these important launches.

With this I would like to leave the floor open for questions. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

**Neha Manpuria:** I have 2 questions. First on the U.S. sales, there has been a sharp increase quarter-on-quarter despite the sales of Absorica coming off. I understand part of that would be Taro. But is there any other reason for the improvement in the U.S. sales in the quarter?

**Abhay Gandhi:** On specific products, we are seeing an improvement and as you rightly also said that Taro is also responsible for the increase in quarter-on-quarter. But on specific products, we have seen some improvement and gains in share.

**Neha Manpuria:** So sir, if I understand this correctly, as Absorica comes back, this base should only improve in the next quarter, excluding what happens to Taro?

**Abhay Gandhi**: So I would see that Absorica is not the biggest product when I look at the overall context of the business, but yes, we hope to see improvement in Absorica and that is how we would like to look at and I think improvement in business is what we are aiming for.

**Neha Manpuria**: Fair enough. And sir, second on the specialty strategy. Now that we have 2 launches planned for this year, particularly when it comes to Ilumya, what's our launch strategy there, given we have fairly large products already in the market? How do we go about, is there a target market share that we've looked at or peak sales that you would like to give any color on?

**Abhay Gandhi**: I do not think I would like to go into strategy and the kind of share we are looking at. We feel confident that even in this market, we can get our fair share and I think as the team working, we will need to do and the strategies we need to have, we are working on that and hopefully do well in this market.

**Moderator**: Thank you. The next question is from the line of Chirag Dagli from HDFC Asset Management. Please go ahead.

**Chirag Dagli:** Sir, first one is on Odomzo, is this scale up in line with your business expectations up until now?

**Dilip Shanghvi**: I think asking this question to me and Abhay, I think you will get different answer, but Abhay better you answer.

**Abhay Gandhi**: So I will give my answer. When Novartis was marketing this product had 3% kind of share. I think in a relatively short time, the peak that we touched was 10%. We hope to do better.

**Chirag Dagli**: And there is significant potential to grow from the 10% level as well?

**Abhay Gandhi**: And that is where we are going into Mr. Shanghvi's answer.

**Chirag Dagli**: Fair point, sir. And when you say that there are significant investments to be made in FY19 as well. The hurt on profitability on an absolute dollar million basis, will it be significantly higher in FY19 versus FY18 sir?

**Abhay Gandhi**: It would be because it is now this phase when we are actually going to market, so a lot of expenses on field force, which would not be completely captured last year will now completely affect this year and also in-market expenses.

**Chirag Dagli**: But you would also have sales right?

**Abhay Gandhi**: Yeah, but the question is I think there will be that expenses.

**Chirag Dagli**: And just third one, a quick clarification. In your opening comments, Mr. Shanghvi you mentioned that some of your generic products in the pipeline are becoming unviable. In the past if you talked about a 5-year payback 20% kind of return, some of your products are not even meeting that kind of benchmark. Is that what you are eluding to?

**Dilip Shanghvi**: Yes, that is what I was eluding to. So if it does not meet that benchmark, then we will seriously relook at whether we want to continue that product or not.

**Chirag Dagli**: And historically you focused only on the complex, limited competition, niche kind of products. So fair to say that does not change right in terms of products you have?

**Dilip Shanghvi**: Sure. Whichever product we think will make money for us in the long-term, we will continue to focus on such products.

**Moderator:** Thank you. Next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

**Anubhav Aggarwal**: One clarity on Absorica from the last conference call. Abhay, you made a comment that with the change in program now, the profitability of the product will be higher. I just wanted to understand what do you mean by that? Are you trying to say that total absolute profitability of the product will be higher or per unit profitability will be higher? Can you clarify that?

**Abhay Gandhi**: Both.

**Anubhav Aggarwal:** How does it happen because your volumes have become halved. Unless with the co-pay, your EBITDA per unit has become less than half when you introduce co-pay and you are getting a lower ASP on that product. How your absolute profitability will be higher here?

**Abhay Gandhi:** We had co-pay which was actually not profitable at all and we were losing money.

**Dilip Shanghvi**: Abhay, I think you are breaking up. So I think maybe I will give the answer from here, it is easier. So I think the way Abhay is trying to explain is that our previous co-pay and also coupon program meant a relatively low value capture and realization. With post these changes, our

overall realization will improve, but that will also lead to reduction in the total prescriptions. So the question that you are asking is whether the increase in the value realization is higher than the offset that we may receive as a result of reduced prescription and answer is yes.

**Moderator:** Thank you. The next question is from the line of Surya Patra from Phillip Capital. Please go ahead.

**Surya Patra:** Sir just one clarification first sir. About the Novartis, the branded generic products what we had acquired in Japan, so whether the rights, we currently just distributing. Whether the product has been transferred to our name fully as of now?

**Dilip Shanghvi**: Yes. Now these products are being marketed in Japan with Sun label.

**Surya Patra**: And second sir on the specialty side, so may know what is the kind of spend that we have made through current financial year for FY18 and on the R&D spend particularly, how much that we would have allocated towards that?

**Dilip Shanghvi**: We do not give business spend and cost. So I am not able to respond.

**Surya Patra**: Then my question would be sir on the margin front. So basically on the R&D side, we are talking about relatively higher R&D spend considering our specialty initiatives as well as the kind of generic business focus whatever that has been continuing. And the challenges anyway we are maintaining that okay that will be continuing. Or rather what all would be the margin levers for us for the current financial years?

**Dilip Shanghvi**: There are multiple levers. Control on cost, rationalizing R&D investments and selling more of high margin products.

**Surya Patra:** So that means whether the rationalization of the products will continue for some time sir in US particularly?

**Dilip Shanghvi**: It will. But Abhay may better able to answer.

**Abhay Gandhi**: I think it is a continuous process. We keep looking at products and continue to sell, continue to sell high margin products, more of it if we can. And every quarter, we look at which

products are completely unviable that we should not be marketing. So it is like a moving target and it is something we keep looking at continuously.

**Surya Patra:** So till whether it is like even for the rationalization, focus will remain even for the base business portfolio?

**Abhay Gandhi:** So what is the base business portfolio, I did not understand that part of the question. Everything that we were selling last year is base business is that the way I understand and on those products, we keep evaluating which one makes sense today and going ahead. So I hope that answers your question.

**Moderator**: Thank you. We move to the next question that is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

**Nimish Mehta:** Sir first on the guidance that you have mentioned about low double-digit growth in sales. Are we basically assuming Halol clearance somewhere, when basically is the question and is that being baked into the guidance?

**Dilip Shanghvi:** Yes of course. All the businesses including Halol, including Ilumya, also OTX 101 for whatever period that we would sell, all of that is factored in the guidance.

**Nimish Mehta:** And the second is on Yonsa that we just launched. Sir can you just explain what the basic difference between Yonsa and Zytiga is now that Zytiga is going to be off patent very soon. What is the unmet need, what is the differentiated part that we are looking at Yonsa?

**Abhay Gandhi:** Actually that will be a long answer to give to you. So maybe if you can take it offline, will be able to explain it to you better, but it is a valid question. I think we will give you the answer offline and explain to you.

**Dilip Shanghvi:** I think it is an important product and we believe that it can be an interesting product for us in the short term, but also in the long term.

**Abhay Gandhi:** Sure, a slight correction. We have not launched it as yet, but we hope to in this quarter.

**Nimish Mehta:** I just looked at the labels of the two and I could not see much of the difference and which is why this question. I will take it offline.

**Moderator:** Thank you. The next question is from the line of Srihari from PCS Securities. Please go ahead.

**Srihari:** Two questions basically. The low double-digit topline growth that you have guided for, would it be right to presume that major chunk of the growth would come from the three assets, specialty assets that you plan to commercialize in this fiscal. And secondly, was there a head-to-head between Yonsa and Zytiga? If so, what was the results? Thank you.

**Dilip Shanghvi**: The growth guidance reflects our plan to grow in each of our business. So India, emerging markets, our consumer product business, US, Europe, all of that is included and it also includes the specialty products.

**Abhay Gandhi**: On Yonsa, I am a little vary of what and what not to say on this call because there are patent issues, there is a label which finally came which I have not completely studied and that is reason why I said that once we study, maybe we can answer some of these questions. So I am a little varying of what I can and cannot say on the call. Once we study the label, we will be able to answer to whoever has a specific question on the product and how we can differentiate it with the competitor product. Just request patience for a couple of days still all the legal matters and patent matters are clear to us and how we can address it.

**Srihari**: Just to crystallize the double-digit growth guidance that you have given, will the share of the three specialty products be significant or how do we classify that, Ilumya, OTX and Yonsa, their share, would it be significant in the growth guidance that you have given?

**Dilip Shanghvi**: I think what the way we look at business is very differently. For us it is a new engine of growth while we will continue to grow all our existing businesses. We want to find a new engine of growth and that is why we are investing on this at this point of time so that in future it can become as meaningful as some of our larger businesses, but there is a significant cost associated with that and also it is a gradual process.

**Moderator:** Thank you. The next question is from the line of Ronak Lodha from BNP Paribas. Please go ahead.

**Ronak Lodha:** Just one simple question. Where do we stand on the Halol plant clearance and if you can give some insight on that?

**Dilip Shanghvi**: As we have explained that we continue to update USFDA about the progress with our remediation activities and then we await their response. That is where it is right now.

**Moderator**: Thank you. The next question is from the line of Vikas Maheshwari from Maheshwari Financials. Please go ahead.

**Vikas Maheshwari**: My first and the last question is what are the preventive measures taken to solve the problem of Halol as we have seen since 2014 the problem has been regular and in inspections also, the company has been unable to resolve the problem and because of that, the investors are losing money. And one more thing that I would like to say that even we know that the Halol gives 15% of the revenue and as the US pricing pressure is there, we can save revenue guidance from here, then why the management is not taking serious steps?

**Dilip Shanghvi**: I agree with some of your unhappiness. As a large investor, I am also unhappy and we are trying to find a way to get the plant re-certified at the earliest. It is taking much longer than what we would have liked it to. It is important for all the analysts or investors also to keep in mind is that last year 18 of our sites were audited or we have faced 18 US FDA audits and we came out of each of those inspections with either no 483s or a very limited number of 483s. Halol clearly has taken much longer than what we would have liked it to, but that is a reality and we have to find a way to fix.

**Moderator**: Thank you. We move to the next question that is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

**Anubhav Aggarwal**: Just in continuation, one question on the Halol facility. As per the corrective action plan that you would have given FDA after the observation or the 483 Form in February, when do you expect a last response from your side to the FDA? You just mentioned you continue to update

FDA, just a clarity will be helpful. Their last response from us is 2 months down the line, just around the corner, just some clarity will be helpful.

**Dilip Shanghvi**: Second quarter of this year is the last date for the remediation response.

**Anubhav Aggarwal:** So would that imply that at best, Halol, you would have baked in for let us say 1 or 2 quarters right in the guidance?

**Dilip Shanghvi:** Your understanding is correct.

**Anubhav Aggarwal:** And just one more clarification. In this sales in the US sales this quarter ex Taro I am talking about, is there any one-off. Coreg CR exclusivity I am not taking as a one-off, we know that it is a one-off in this quarter, but other than is there any very high stocking of any product which is leading to very high sales in the US in this quarter?

**Abhay Gandhi:** No, there is no one-off.

**Moderator:** Thank you. The next question is from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.

**Vishal Manchanda:** I have just one on the psoriasis market. Could you like share some color on if there is a change in either the reimbursement dynamics or pricing of products in the psoriasis market in the US?

**Abhay Gandhi:** What exactly are you trying to get at, pricing changes by whom?

**Vishal Manchanda:** So what I have heard is some companies have started now cutting prices in the US to kind of get into the first line patients and other thing I am hearing is there are legislations being passed on against insurance companies to cut down on step edits. So has that translated into like easier the reimbursement norms and also if the pricing reduction has become a norm in psoriasis?

**Abhay Gandhi:** So for the first part of the question, if I look at price of a product as the WACC and I have not seen any changes in the WACC of any of the products in psoriasis market. However, to be able to hold on to or improve their positions in the formulary, if there is extra rebating or discounting

that any competitor is doing, I would not be able to see that through any publicly available information. On the second part of the question that you asked about insurance companies and actions being taken to remove step edits, again I have not seen that. I think that as far as overall the government policy is concerned, we are still studying, but it is not as crystal clear as what you said.

**Vishal Manchanda:** And just one more. Are their guidelines that are being promoted to treat psoriasis that would demand more aggressive treatment and hence more aggressive use of biologics?

**Abhay Gandhi:** I think IL 23 as a class, will continue to gain share for all products and so I do not know the aggressive treatment part of it, but every patient would like to be clear of psoriasis and sustainably at that so and doctors are accepting the use of IL 23 as part of the treatment modality. I think that class will continue to grow and when we also start promoting the product, that will help both our product as well as the class hopefully to grow.

**Moderator:** Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

**Prakash Agarwal**: Sir first question on Halol. Just trying to understand would it be fair to say that the sales which was impacted in the past that has started to improve from that size itself given the fact that all the remediation and the lines we were working on to improve the process and systems is completed? So quarter-on-quarter we would be seeing a sales improvement, is that fair to understand?

**Dilip Shanghvi**: You mean to say additional products coming out of Halol going to market?

**Prakash Agarwal**: Additional or the volume increase which would have been impacted in the past because of few lines getting some remediation being done. So would the volume improve from Halol in the last 2 quarters?

**Dilip Shanghvi**: It will.

**Prakash Agarwal**: I am asking in the past, it has improved in the last 1 quarter or 2 quarters?

**Abhay Gandhi**: Specifically, on Sumatriptan injection, we have seen an improvement in the sales.

**Prakash Agarwal**: So injectable lines also which were impacted now is coming full stream?

**Abhay Gandhi**: I do not want to quantify.

**Dilip Shanghvi**: If the customer has long-term agreements, even if we are available, does not mean we will get business. So it is a process, it takes time.

**Prakash Agarwal**: And you are saying it will obviously improve. What I was trying to understand in the last 2 quarters it has started to improve or not is what I was trying to understand.

**Dilip Shanghvi:** It has started to improve.

**Prakash Agarwal**: And sir secondly on the India business, I missed the opening remarks, sorry about that, but a) full year 4%, this quarter 2% I understand there is an excise GST impact, how would the growth be and anything we are doing to even if we add back, it would be single digit and Sun Pharma being the leader, how you expect the industry growth for FY19 and yourself sir on the India business?

**Kal Sundaram:** The 9% growth that I refer to is on ongoing portfolio. A number of the products which were not viable in the past we have discontinued. So if you sort of take those assets, the sales growth will be in excess of 10%. Going into the financial year, there would not be any disruption like what we saw for GST, therefore if you ask me, my personal belief is we should grow at a rate faster than we did last year.

**Dilip Shanghvi:** And the objective is not just to grow faster than the market.

**Prakash Agarwal**: And lastly your Glumetza, is there any update on the product sir?

**Abhay Gandhi**: So the product has just been received in the US, trying to take it into the warehouse after all the QA, SC clearances and we will start going after the orders and business from week or two from now.

**Prakash Agarwal**: From supply side, we have done everything and we have full supplies now, is what I am trying to understand?

**Abhay Gandhi**: We have enough supplies.

**Moderator**: Thank you. Next question is from the line of Alok Dalal from CLSA. Please go ahead.

**Alok Dalal**: Question is on the consumer health market in India. The secondary market data is showing flat to declining sales for Volini and Revital for FY18. Does that tally with your primary numbers as well?

**Kal Sundaram**: Some amount of sales discipline we have brought into the consumer business which in turn has affected the primary sales and we are putting enough efforts on promoting the product more through commercials with the consumers. And the business model will be more patient or customer pull than being over-reliant on trade channel push. So what you are seeing is hopefully was a temporary phase.

**Dilip Shanghvi**: Also I think if you see recent data, there has been an increase in the pickup or if you look at monthly data, then there is a pickup.

**Alok Dalal**: Is it lack of advertising effort that has led to this decline that we have seen because these brands had a very strong connect and meeting some of the let us say mom and pop pharmacy, they are saying that substitution is happening.

**Kal Sundaram**: Looking at Volini, the number of generics as well as competitive brands that have entered the market on the back of the success of Volini spray, there are probably, a dozen brands today available. So in such a scenario, number of competitors' business model is more trade-driven. So some amount of loss of share is to be expected, but what we are doing is we are also renovating the portfolio bringing more what you say differentiated innovative products to stay ahead and on the back of it, support the product with strong consumer promotion.

**Alok Dalal**: And second question was on the Ranbaxy acquisition, it has been 3 years now and hopefully the $300 million synergy would have got realized, so if you reflect on that acquisition over the last 3 years, what are the things that work for you, what are the things that did not work for you and how do you think Ranbaxy will contribute over the next 2-3 years?

**Dilip Shanghvi**: I think it is not an answer which is possible to be given on conference call with kind of limited time because when you do something as large as acquiring a business with 15,000 people, I think it is a very complex answer. But overall I think we believe that it will make the company stronger going forward and we have learned a lot from this acquisition. Some of the things have worked, some of the things have not worked.

**Moderator:** Thank you. The next question is from the line of Shrijan Sinha from Future Generali. Please go ahead.

**Shrijan Sinha**: Sir just wanted to check if there is any plan to do any buyback or promoters increasing their stake in the company given the depressed valuation.

**Dilip Shanghvi**: I did not hear the second part of the question.

**Shrijan Sinha:** Either promoter increasing their stake in the company or the company doing a buyback, any plans for this?

**Dilip Shanghvi**: We have not discussed this in today's board meeting.

**Shrijan Sinha:** Given that the valuations are depressed, would you like to do this in the…

**Dilip Shanghvi**: It is worth looking at options.

**Moderator:** Thank you. The next question is from the line of Karthik Mehta from Deutsche Bank. Please go ahead.

**Karthik Mehta:** In the case of Ilumya for the additional lead, could you indicate a number that we would spend for the earlier one when we acquired from or we had indicated some number for the R&D? So for this one, is there any number you could share for R&D?

**Dilip Shanghvi:** We do not have a specific number that we can share. Currently, Ilumya has Phase-II ongoing study for ankylosing spondylitis and psoriatic arthritis. So topline result for that should be available in a few months. Post which, we will start Phase-III studies and both of this will be independent of the previous guidance that we would have given for the total investment required for Ilumya.

**Karthik Mehta:** So is it fair to assume that the Phase-III cost if at all would come somewhere in mid FY20 or somewhere end of FY20 for this?

**Dilip Shanghvi:** I do not have the numbers in front of me and we are working with the CROs with a view to find a way to do the study faster because. It is always a trade-off. Faster study will mean higher cost per patient because we have more centers. So we will find an optimum cost and speed balance. Then, we are also looking at whether we want to do at least some study in gastroenterology indication this year.

**Moderator:** Thank you. The next question is from the line of Ashish Thavkar from Motilal Oswal Asset Management. Please go ahead.

**Ashish Thavkar**: Abhay sir, the one question for you what would be your assessment of the US generic market given that most of the companies are now talking about product rationalization. So we have seen that coming from Teva as well. So how do you read the pricing scenario in the US market going ahead?

**Abhay Gandhi**: I think nothing will change much. I think we still expect the competitive pressure to be high. However, having said that if there are products where somebody goes out of market and we are able to supply, there could be an upside. So there were a lot of moving pieces. To give very clear answer of where we are likely to go is always difficult, but I think the direction is not going to change for better in the near term, that is the clear sense that I have.

**Ashish Thavkar**: My second question is on derisking the injectable business. Now since Halol is under remediation, you have to get a clearance. So we have a facility in Pharmalucence we have. So any plans to derisk the injectable portfolio?

**Abhay Gandhi**: So there are limited numbers of injectable products which can be done at Pharmalucence. I think all the forms and formulations which Halol can do, a Pharmalucence cannot do. It is also much smaller facility. Having said that, whichever product we are able to do at Pharmalucence as part of the normal network strategy, we keep looking at and I think a couple of products we will move also.

**Ashish Thavkar**: Incrementally whatever injectable work that we are doing, it is from Pharmalucence?

**Abhay Gandhi**: I do not think I would like to go into network strategy of which product we are doing from which site.

**Moderator:** Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.

**Anubhav Aggarwal**: One question on specialty business. In FY19, will the loss on specialty business increase versus FY18, that is one part. The second part is you mentioned, earlier that we can perhaps breakeven a specialty in fiscal 20, would you still maintain that guidance?

**Abhay Gandhi**: So I will give part of the answer. But clearly I would not say the loss will widen, that is not how we are looking at it. Our investment will be higher than what we invested last year, that is clearly so. But there will be some revenue also. So I have not really looked at it that way whether the loss is higher as compared to last year. Investments clearly will be and there is also the R&D piece where we will increase our investment for some of the existing to be launched products.

**Dilip Shanghvi:** Abhay, I think you have answered part of my question. It will all depend on how you look at the business. If you are spending let us say $200 million on clinical development of a product which is not generating any revenue till it comes to market whether you would like to charge that to the existing business or you only look at the existing business for its own cost of operations as well as this. On a standalone basis, the existing business will breakeven in 2020. But we have ambitions about this business and we will continue to invest. So that investment can be either in form of buying a business or it can be in form of investing for a clinical study. So that is a separate cost center. So we should not link up both of these.

**Anubhav Aggarwal**: Just to clarify. So what you mean is that if you do not buy any more molecules, we do not invest in anymore R&D on any future molecule, we should breakeven on the assets that we have in next fiscal.

**Dilip Shanghvi**: Yes, that is a fair statement.

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

**Nimish Mehta**: Sir on Halol, just wanted your clarification. Are we now almost sure that it will not require reinspection? Is that a fair assumption, I mean at the minimum or you think that it is still uncertain?

**Dilip Shanghvi:** Yes, that is our current understanding.

**Nimish Mehta:** You just mentioned in to one of the questions that IL 23 will gain its market share. So I am getting a sense that there is some definite advantage of IL 23 over IL 17 over any other therapy that is why you probably are commenting like that. So if that is the case, can you just let me know what is the exact benefit you are looking at in IL 23?

**Abhay Gandhi:** So when I speak to the KOLs, what I understand from them, where they see a clinical differences, I think the quality of the response and with the side effects being much lower than what they see with the other class of drugs. This is a sense that they have. So different ways they phrase it, maybe also factor of the advertising messages of company, they talk about smoother response, they talk about gradual response, they talk about patients are comfortable with this therapy. I think all said and done what they are seeing is they are happy with the quality of the response they get from the IL 23 as compared to the IL 17.

**Nimish Mehta:** So these responses not just specific to Ilumya, but actually on general for the IL 23, right?

**Abhay Gandhi:** Which is what I said. It is a class is there but remember there is only one product promoting it. When we also start promoting the product in the indication, it will help the class even more.

**Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Nimish Desai for his closing comments. Over to you, sir.

**Nimish Desai**: Thank you everybody for joining us on this call. If any of your questions have remained unanswered, do send them across and we will try to get them answered. Thank you and have a good day.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Sun Pharmaceutical Industries Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.