Corporate Participants

Israel Makov
Chairman, Sun Pharmaceutical Industries Ltd.

Dilip Shanghvi
Managing Director, Sun Pharmaceutical Industries Ltd.

Sudhir Valia
Wholetime Director, Sun Pharmaceutical Industries Ltd.

Arun Sawhney
CEO & Managing Director, Ranbaxy Laboratories Ltd.

Indrajit Banerjee
President & CFO – Ranbaxy Laboratories Ltd.

Moderator: Ladies and gentlemen, good day and welcome to the Joint Call held by Sun Pharmaceutical Industries Limited and Ranbaxy on the Announcement of their Merger. As a reminder, all participants' lines will be in the listen-only mode. 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: Good morning and thank you, everybody for being here at such a short notice. Joining me today for the call from Sun Pharma are Mr. Israel Makov – Chairman; Mr. Dilip Shanghvi – Managing Director; and Mr. Sudhir Valia – Wholetime Director.

I would also like to welcome the Ranbaxy management on the call. We have Mr. Arun Sawhney – CEO & Managing Director and Mr. Indrajit Banerjee – President & CFO.

We will begin the call with some prepared remarks and then we will move into Q&A. 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 shortly.

This presentation and any subsequent Q&A may contain "forward-looking" statements and this must be viewed in conjunction with the risks that our business entails.

During the Q&A, we ask that you limit yourself to two questions in the initial round. If you have any additional questions, you are welcome to rejoin the queue. I would also request all of you to kindly send in your questions that may remain unanswered today.

I will now handover this call to Mr. Makov. Over to you, sir.

Israel Makov: Thank you, Nimish, and thank, everyone for joining us on the call in such a short notice to discuss the exciting news. I will start with Slide #3. Earlier this morning, we announced that we have entered into a definitive agreement pursuant to which Sun Pharma will acquire 100% of Ranbaxy in an all-stock transaction with a deal value at approximately US$4 billion. The Sun Pharma-Ranbaxy merged entity will have pro forma revenues of US$4.2 billion for calendar year 2013. The merger creates the "Fifth Largest Global Specialty Generic Pharma Company in the world." It also becomes by far, the No.1

Pharma Company in India. In the US, we are growing our leadership and our pro forma sales will exceed US$2 billion with a strong ANDA pipeline of 184 products including high-value First-To-File opportunities. The combined company becomes the No.1 Company in the generic dermatology market in the US and No.3 in the branded dermatology market in the US. In emerging markets we expand our presence and our pro forma revenues will be approximately close to US$1 billion. The merger also expands our presence in Europe, and give us a good base to grow here.

Slide #4 shows the transaction highlights of the proposed merger. Ranbaxy shareholders will receive 0.8 shares of Sun Pharma stock for every share they own. The deal size implies a multiple of about 2.2x sales. Cumulatively, we expect US$250 million of revenues and operating synergies by the third year of the closing. Daiichi Sankyo becomes the second largest shareholder in Sun Pharma and we welcome them. The strategic relationship of Daiichi Sankyo will continue with Sun Pharma. Daiichi Sankyo-Sun Pharma promoters have decided to vote in favor of the merger.

Now, I move to Slide #5: In connection with the transaction, Daiichi-Sankyo has agreed to indemnify Sun Pharma and Ranbaxy for, among other things, certain costs and expenses that may arise from the recent subpoena which Ranbaxy has received from the United States Attorney for the Toansa facility.

I now hand over the call to Mr. Shanghvi.

Dilip S. Shanghvi: Thank you, Israel. This is an important day for Sun Pharma and this transaction helps us transition to our long held ambition of becoming a successful Indian company in the global pharmaceutical arena. We become the 5th Largest Global Pharma Company in generic space because of this transaction. But, size is not something which excites us. The quality of business and our ability to manage the business in such a way that in each business we grow faster than competitors is what excites us. I see the platform getting created which will help us to continue what we have done over the last 20 years in being a public company. This deal makes us the No.1 Pharma Company in India. But, what is more important for us is that it makes us No.1 in share of prescriptions in 13 specialty segments. Before the transaction, Sun Pharma was No.1 in terms of share of prescriptions in 7 specialty segments. This enhances by another 6 additional specialty segments, so that essentially reflects the synergy that we develop because of the transaction, in the marketplace. This also allows us an entry into the fast growing OTC Pharmaceutical business with strong brands and will create a foundation for the OTC business in India and subsequently globally. The merger makes us No.1 Pharma Company in the US market with sales exceeding US$2 billion, and a large pipeline of more than 180 ANDAs. So, we will continue to grow our share of business in the US. We become No.1 Generic Dermatology Company and No.3 Branded Pharmaceutical Company in the Dermatology space in the US. Emerging markets are some of the fastest growing markets in the Pharma sector now. This transaction takes us close to a billion dollars in terms of sales and gives us a foundation from which we can aspire to grow faster in future. It gives us an entry into Western European markets so that we can strengthen our position in those markets.

On Slide #8 if you see post transaction, the overall business is much more balanced with 22% of business coming from India, around 30% business coming from rest of the world and near to 50% business coming from the US. But more importantly, I see a business which is well-positioned to continue to grow in each of the markets because of the kind of products and the presence that we will be able to create.

Slide #9: This is based on publicly available information and this indicates that Sun Pharma which already was No.5 Generic Company, then becomes a much more significant No.5 player, and reaches a turnover which is closer to No.4, and hopefully, this is the business that will continue to grow.

Slide #10: In India, we will have as a combined company, close to 9% market share, and the business will continue to grow faster than the industry as I see going forward. So, we can hope to increase the share of business in the next 2-3 years.

Slide #11: We were No.1 in terms of Share of Prescription in 7 Specialty Therapy areas. Because of the transaction with Ranbaxy, we see that in 6 additional areas we become No.1. And in the areas in which we were already No.1, we improve our overall share of market and improve the gap between us and the No.2 player. So, the transaction actually strengthens our leadership position in the Specialty Therapy area which is what has been all-through our focus of growth. It also, of course, gives us presence in some business in which we were not present, and we believe that we can find a way to grow those businesses also to strengthen our position in India market.

Slide #12 shows the current presence of Sun and Ranbaxy in different therapy areas in India. There are a few areas in which we are not No.1 like Oncology or Dental Medicine, but going forward we will develop a strategy to find a way to develop leadership in these areas.

SUN PHARMA

Slide #13: If you see the kind of dependence metrics in terms of products in different specific therapy area, you see that the business has become much more broad based and dependence on any specific therapy area is not very high, even though in each of the therapy areas, we are a distinct leader. So, that I think is the exciting part of the transaction that even though we become stronger in each of the therapy areas in terms of share of prescriptions, our dependence on that particular therapy area actually has gone down. Amongst the top 300 brands we will have 31 brands, and most of these products are growing faster than the market and gaining in terms of ranking, and I expect that to continue and also more of our brands to get into top 300 products during the year. There is a very little product-specific overlap between Ranbaxy products and Sun products. So, there is enormous opportunity to develop synergy. The distribution index for Sun Pharma will grow significantly because in Sun we did have not any significant sales in rural area and it gives us the platform to distribute our product in rural markets, and that should enhance our existing sales, allowing us to capture many prescriptions that we were not able to encash till now because of lack of distribution. It strengthens our leadership position in chronic therapy but it also gives us leadership position in Acute Care, Hospitals and OTC products. So, it is a very synergistic transaction.

Slide #14: In the US which has the largest market for Sun, we get further strengthened with revenues exceeding US$2 billion, and many ANDAs are waiting approval including quite a few first-to-files that come along with this transaction to us. We become clear No.1 Generic Dermatology Company in the US, and No.3 Branded Company in the Dermatology space, with very interesting products in treatment of Actinic Keratosis, Anti-Fungal, Acne and Steroids.

Slide #15: The merger significantly strengthens our business in emerging markets which are the fastest growing markets in the world today. If we see the current Sun Pharma business was not very significant, but this merger makes it significant and the advantage of this is that because of this close to a billion dollar business, it will get the desired attention, focus and resources. I am sure that with this focus, the business will do much better going forward. We will have presence in 55 markets and in 3 of these markets the combined company will have sales exceeding US$100 million. These are markets like South Africa, Russia and Romania. We will further strengthen our position in Brazil, and with this transaction we will have significant presence in Malaysia. The product baskets will have relatively limited overlap and will allow us opportunity to use current infrastructure to sell each other's product, thereby significantly strengthening the average per representative sales in these markets. The business for both the companies have been largely based on branded products and have relationship with the doctors in each of these markets and that should help us to continue introduce new products and grow the business.

If we go to Slide #16, as a combined company, we will have proforma sales in excess of US$4.2 billion for 12 months ended December 2013, and US$1.2 billion in terms of pro forma EBITDA. We except that the transaction one year after closing should be cash EPS accretive but longer-term I see an opportunity for enormous value creation for the shareholders because of the transaction. We expect a synergy of more than US$250 million cumulatively in 3 years. But what is important from our point of view is that a large part of the synergy is derived from growth and our procurement and supply chain efficiencies. As we introduce the Sun Pharma model of operating efficiently I see the values to start coming to a bottom-line.

I will use this Slide #17 to help you walk through some of the acquisitions that we have done in the past and which has helped us in terms of growing both our top line as well as our bottom line. We acquired Taro in 2010 and from an EBITDA of less than US$100 mn, in last three years we have been able to reach an EBITDA of close to US$400 million by focusing on growing the top line becoming more efficient and running the business with a clear focus.

We expect similar level of performance improvement in DUSA, and we put the foundation in place. So this is the year in which we will see significant increase in its contribution to Sun Pharma's bottom-line. We bought URL for less than US$80 million and we recovered that investment in one year.

So, I believe that we should be able to add significant value because the business has the potential than the underlying strength and managerial capability which, given proper support, investment and encouragement, is capable of producing returns that we aspire to produce in Sun Pharma.

Slide #18 is explaining the next steps of the transaction. And it needs to go through both the regulatory approval process in all the markets, including the US and in many other countries where we will have to obtain anti-trust approvals; it also needs to be approved by the governments in India and the courts in India, and finally it will need approval by more than 75% shareholders of both Sun Pharma and Ranbaxy. Both Daiichi Sankyo which is the largest shareholder in Ranbaxy, and Sun Pharma promoters have through an agreement agreed to vote in favor of the transaction. During the period of transition between the signing of the agreement and closing of the agreement, integration is planned through an integration committee, consisting of leadership teams from both the companies and the idea is to start working towards identifying potential opportunities for growth and synergy. Also, we plan to strengthen the focus of both the companies in remediation of the manufacturing facilities as far as cGMP compliance for US and other regulatory agencies is concerned. We will work aggressively with third-party consultants who strengthen our team, also strengthen our ability and we have done this in the past and hope to be able to successfully do this by committing all our energy and resources and ensuring that we come out of this successfully.

Slide #19: I view this transaction as a 'Landmark Transaction' in our journey to become a global company. Thank you. I would request Arun to share his views about the transaction and also his excitement about the transaction.

Arun Sawhney: Thank you, Dilip. I think both the companies shared similar ambitions to grow globally, but with the complementing strengths and that I think I echo your observation that this is a 'Landmark Transaction' not only in the journey of Sun Pharma but also I think on the Indian Pharmaceutical Industry map. I also believe that the combined entities will create a sustainable, profitable global enterprise that will bring benefits to all the stakeholders, the shareholders, the employees, the suppliers, the customers, the patients, the doctors with more opportunities and so on. I think the figures are already presented. I see personally a world of opportunity is opening for all the stakeholders with these two companies coming together.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from Manoj Garg of DSP Merrill Lynch. Please go ahead.

Manoj Garg: You have indicated in the slides that there is around US$250 million synergies which will be coming through revenue and operations. Just would also like to understand that what kind of synergy can come from the manufacturing also given the fact that it is almost more than 3 years where Ranbaxy has been to consent decree, and if over the next 2 years like we will be able to sort out those issues, what is the synergy which can come from the manufacturing operations also?

Dilip S. Shanghvi: Our focus will be to address the issue of achieving compliance. So we are not looking at synergy out of manufacturing, the focus is to achieve compliance, and post-achievement of compliance the idea would be to look at synergy. The synergies that we are talking about are essentially achievable synergies that are not in any way linked with regulatory approval.

Manoj Garg: What would be the role of Daiichi's in this combined entity, like since now they own approximately 9% of Sun Pharma? How does it open the door for Sun Pharma for the Japanese market?

Dilip S. Shanghvi: We think that the transaction gives us a great opportunity to grow our business, but also gives us a partnership with a global company with significant technical capability and strength. We will continue to be strategic partner for Daiichi and all their agreements that they have with Ranbaxy for India as well as the other markets will continue to be maintained by Sun Pharma. Our strategy is to strengthen this relationship going forward. Daiichi Sankyo will also have an independent director on Sun Pharma Board, so that gives us that connectivity and we would use that linkage to strengthen the relationship going forward.

Moderator: Thank you. The next question is from Rukhshad Shroff of JP Morgan. Please go ahead.

Rukhshad Shroff: Mr. Shanghvi, I have had a question regarding valuation, particularly in the context of Ranbaxy's track record over the last 6 or 7 years. This is the company that has reported a loss for 4 years out of the last 6 or 7 years, and has some serious regulatory issues which have persisted. Could you give us some sense of how you arrived at this? And why you have decided to pay a substantial premium for this company?

Dilip S. Shanghvi: We have to look at the overall business value and not look at the temporary one-time costs that the company periodically had to pay. A significant part of the losses of Ranbaxy are caused by certain decisions that they had taken in terms of anticipation of movement of the US dollar, which did not work out. Also, company faced manufacturing challenges and that has caused the other losses, but if you look at their India business, their emerging markets business, they have a robust pipeline, growth and profitability. So we believe that the valuation is justified, and at this value I am confident of creating future value for combined entity. I expect that Daiichi Sankyo, who is an important for the second largest shareholder in Sun Pharma also to significantly benefit from the future value creation by the company.

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

Sameer Baisiwala: Aside of the merger ratio, what are the other liabilities that Sun would be assuming, calculating the net debt on Ranbaxy's balance sheet and the total forex pending liability and any other item that you want to highlight?

Sudhir Valia: All the liabilities which they have in the balance sheet are public knowledge.

Dilip S. Shanghvi: If you see the transaction value, it is around US$3.2 billion, $800 million is the debt in the books.

Sameer Baisiwala: I would have thought that US$3.2 billion is the equity value and maybe there is another US$1.2 billion coming by way of balance sheet liabilities, but this is not the right numbers?

Uday Baldota: US$3.2 billion is the equity value and the additional net debt of about US$0.8 billion, which adds up to the US$4 billion number.

Sameer Baisiwala: And some forex liability coming from mark-to-market losses that is sitting in the balance sheet, which probably is roughly about 20 billion, I just wanted to be sure on the numbers?

Uday Baldota: I think where we are talking about this is we are looking at the overall balance sheet and the debt and debt-like items, we have taken all of that in this valuation. I think from that perspective a break out of the numbers specifically is not something that we are providing at the moment, but it includes all debt and debt-like items.

Sameer Baisiwala: What is the expectation specifically on Nexium exclusivity, and you mentioned that it would be EPS-accretive in the year one if that is an important part of the EPS accretion?

Dilip S. Shanghvi: You understand that there are issues about FTF and the ability to monetize FTF. So, our approach I think is never to commit something which is linked with regulatory approval, because I do not like to come back to shareholders saying that we could not deliver because of these things.

Sameer Baisiwala: So that is not part of the EPS accretion I understand that, sir, but what is your expectation -- do you think Sun now would be able to monetize Nexium?

Dilip S. Shanghvi: I think there are a large number of variables and moving parts. It is better for us not to respond at this point of time, because there are regulatory issues. I think maybe Arun; you can give your view here.

Arun Sawhney: I have maintained that we believe we have the exclusivities, and also, through the years I have also maintained that when we launched Valacyclovir or Donepezil or Atorvastatin, before the launch I maintain that we will consider the FTF has the upside in any given year when they materialize. Till that time I have refrained from being speculative and I think I personally would like to continue that same approach.

Moderator: Thank you. The next question is from Anubhav Agrawal of Credit Suisse. Please go ahead.

Anubhav Agrawal: Was this the entire portfolio you ever wanted to buy? I had a different impression because you are getting Europe here, which is about 20% of Ranbaxy sales. And most of your discussions so far in the morning was considering on the India business; there were almost five slides on India business; one on US, one on emerging markets, is India the part of the real reason of acquisition? What is the intended portfolio? Ranbaxy is a very diversified company. What part of business exactly excited you in this business?

Dilip S. Shanghvi: I think it is not one, many-many things; it is a company with many very attractive brands; many strengths and many capabilities. We should be able to find a way to leverage all of these. As to your question for Europe is concerned, the percentage of European business especially Western European business is not 20%, but less…

Arun Sawhney: And degrowing as a composition of the total business.

Anubhav Agrawal: Mr. Sawhney, there was just an example. In India Acute business, the reason through which we differentiate always was that the large part of the sales is chronic, but that is not what Ranbaxy gives you, I know it gives you complementary portfolio, but was this Acute portfolio Ranbaxy the portfolio that you wanted to get in?

Dilip S. Shanghvi: I have always maintained that in all businesses you have to take a decision about 'make' or 'buy.' We could never develop a strategy to make a significant presence in acute business. Now, if you see the overall business dynamics in the Pharma market, it is a very large part of business, rural market and semi-urban markets in large part is growing. I think our strength has been our ability to structure our operations whereby we can make money from all sizes of products – whether it is Rs.20 mn product per year or Rs.2 billion product per year. So, we could use the same approach of finding a way to make money from all businesses, including Acute Care businesses which, going forward will be an important part for the business.

Anubhav Agrawal: Sun Pharma promoters indirectly had a stake in Ranbaxy. Was that liquidated before the transaction?

Sudhir Valia: It will get cancelled on the merger.

Moderator: Thank you. The next question is from Balaji Prasad of Barclays. Please go ahead.

Balaji Prasad: My first question is on the structural nature of Ranbaxy. Will it continue to maintain a distant identity in India? And also if you can throw some thoughts on the management structure post this?

Dilip S. Shanghvi: Post merger?

Balaji Prasad: Yes.

Dilip S. Shanghvi: I think there is a process by which the company will be run independently as well as there will be an integration committee formed, till the time the transaction consummated. Post the transaction completion it will be run as a single company. On your second question, we have not had discussions on this, but there will be a common management. Philosophically, our approach would be to find a way to strengthen the management capability and become a better company from every acquisition.

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

Girish Bakhru: The acquisition does complement your US business, but still takes you away to emerging markets and Europe. Does this mean your focus to become more a specialty player in US shifts in the timeline?

Dilip S. Shanghvi: No, actually, our US business becomes bigger. So, we will be able to devote more resources to become successful in the US. Simultaneously, we also become bigger in many other geographies. The intention is to resource every business to succeed in each of the business.

Girish Bakhru: My question was more on the line that last year you had looked at assets like Bausch & Lomb and Aptalis which were more specialty branded companies in US. That kind of deals per se is something that one should still assume some kind of acquisitions on those and you would still be looking at or any kind of acquisitions of that nature will be clearly a thing in the long-term?

Dilip S. Shanghvi: I think there are three important issues when we manage acquisitions; one is management capacity to manage the larger business; the second is financial capability to pay for acquisition; and the third would be strategic importance for long-term growth of a company. So, I think we analyze each of the acquisitions from these three points of view. Post this transaction I think it will keep us busy for some time, but we will continue to look at opportunities because we will continue to generate significant cash flows which will need to be profitably deployed.

Girish Bakhru: And second question was on the emerging markets. You have highlighted in a comment, markets like Russia, Romania where revenues are still on a sizable scale. But, any particular emerging market where you will probably want to exit Ranbaxy operations and maybe structure them for better profitability in future?

Dilip S. Shanghvi: There is no plan at this moment to exit any market.

Moderator: Thank you. The next question is from Bino Pathiparambil of IIFL. Please go ahead.

Bino Pathiparambil: You have put this US$250 million synergy number, is at the EBITDA level or profit level?

Dilip S. Shanghvi: At EBITDA level.

Bino Pathiparambil: The press release says that acquisition is expected to be earnings accretive in the first full year whereas if I heard correctly earlier comments in the call, it was said that it will be earnings-accretive by the end of first year, which one is the right one?

Uday Baldota: I think the difference is between the EPS and the cash EPS accretive.

Bino Pathiparambil: Even before all this one-off cost started eating Ranbaxy, Ranbaxy was a company which used to make 13-14% EBITDA margin, so what is your assessment of why it is so and how do you feel confident that such a long-term structural margin issue in the company could be rectified in a one or two years timeframe?

Dilip S. Shanghvi: We have not said that it will be rectified in one or two years' timeframe. I think what we are saying is that the business will become profitable in a short time, but I do not think that it will become as profitable in one or two years. Our effort would be to find a way to grow the business and also achieve synergy so that it will become profitable.

Moderator: Thank you. The next question is from Prakash Agarwal of CIMB. Please go ahead.

Prakash Agarwal: A question is on this USFDA issues which Ranbaxy is facing. So, based on your assessment, what is the timeframe you expect that certain approvals would start coming in, because they entered consent decree in Jan 2012, expected to close by 2017, the question is because even in Caraco we saw there was consent decree, and year four onwards you started getting approvals, you see 9-10 approvals from Caraco, the facility is still under consent decree. So what is your assessment there – when you would start expecting approvals?

Dilip S. Shanghvi: The first important issue for us to focus on is to achieve compliance. Only once the facility is recertified we can look at product approvals out of the facility. So, I think the energy has to be focused on achieving compliance.

Prakash Agarwal: Based on your assessment, do you think a couple of years would still be taken to assess and rectified?

Dilip S. Shanghvi: At this point, I think I would prefer not to give specific timelines about compliance, all I can promise is that it will be the most important focus for the management to achieve compliance.

Prakash Agarwal: Because it gives you a huge facility base across formulations and API?

Dilip S. Shanghvi: Sure.

Prakash Agarwal: Secondly, on the EBITDA margin side, a follow-up basically, so Ranbaxy currently at 9-10% EBITDA margin, and you yourself at (+40%), and as you rightly said one or two years is not enough to get back, the transaction is expected to close by year-end, so how do you see the trajectory for Sun Pharma for next 3 years?

Dilip S. Shanghvi: It is very tempting to respond to what you are asking, but philosophically, I think we do not give guidance beyond next year's guidance. All I can say is that quality of business of Ranbaxy from whatever that we have seen is in no way inferior to the quality of the business that we have in Sun Pharma; all the sales are branded products and brands have significant value in the marketplace. So it should be possible for us to find a way to make the business profitable now. "How long it will take? Whether we will be able to do the same kind of profitability?" It is a matter of time. As we get greater clarity we will share timelines with you.

Moderator: Thank you. The next question is from Sonal Gupta of UBS Securities. Please go ahead.

Sonal Gupta: In terms of the synergy, what base are we using for getting this US$250 million – is this on pro forma CY13 number?

Uday Baldota: I think what we are saying is US$250 million synergies we will achieve by year-three, I do not know how the base is relevant, by year-three, we will achieve in an absolute sense US$250 million.

Sonal Gupta: What I was trying is, is FY13 or it is CY13 pro forma number…?

Uday Baldota: I think what we are saying is once we get control of the company in year-three we will achieve US$250 million.

Sonal Gupta: How much the Sun Pharma promoters indirectly hold in Ranbaxy right now?

Sudhir Valia: Promoters do not hold anything.

Sonal Gupta: Because in a previous question you said it will get canceled out?

Dilip S. Shanghvi: That is a subsidiary of the company.

Moderator: Thank you. The next question is from Arvind Bothra of Religare. Please go ahead.

Arvind Bothra: Just a question from the domestic market perspective. Now that you will have a combined market share of 9.2%, do you expect CCI restriction or any questions on that side?

Dilip S. Shanghvi: I think even though we would have 9% market share I do not see an overlap in terms of major products. So, we are not expecting any major objection, because in any product in which both the companies have an important product, even though combined we will not have more than 25% market share. Since, CCI guidelines are not very clear, it is difficult to say what will happen, but in the US there would have been no problem.

Arvind Bothra: Second question is again on the domestic market. The field force size that you have compared to Ranbaxy is fairly small, whereas your sales is slightly higher. How do you look at the field force productivity?

Dilip S. Shanghvi: I think our focus would be to grow field force productivity for the business.

Arvind Bothra: So, Sun would continue to grow, and Ranbaxy's enhanced market access would help you sell your products over there as well?

Dilip S. Shanghvi: Sure.

Moderator: Thank you. The next question is from Alok Dalal of Motilal Oswal Securities. Please go ahead.

Alok Dalal: Sun Pharma and Ranbaxy have different cultures and the way they operate. So, how do you think that cultural issue aspect will play out for you over the next few years?

Dilip S. Shanghvi: If you see what I said as a part of my presentation is that, this is our important step in terms of our becoming a global company. And the important strength of a global company is to manage different cultures, and to produce result with different cultures. We run businesses today in many countries, and even though people are culturally different, some basic human traits which ultimately lead to performance are common, and we have seen that everybody wants to be part of a successful team, and they are prepared to work hard for achieving that success if they are given proper direction, support and encouragement. I do not believe that in case of Ranbaxy it will be any different.

Alok Dalal: Amongst all the acquisitions that you have done in the past, would you say this could be the most challenging one in terms of the various issues that are there in the company?

Dilip S. Shanghvi: This is the largest one for sure, and I would not say challenging, but it is going to be an interesting validation of many of my basic principles.

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

Rahul Sharma: Just wanted to find out that…the combined entity will have a huge field force, are there any rationalization or restructuring plans on the anvil for your cash accretive EPS for the next 12 months, will there be any major restructuring on the marketing front?

Dilip S. Shanghvi: Nothing that I can immediately think of, there is no plan to do anything in the field force immediately.

Israel Makov: The Indian Pharma market is growing very fast. So there is a huge growth opportunity in the market and we have a very good base and strong base of field force to take advantage of this growth and it is very important because the Indian market is one of the fastest growing Pharma markets in the world.

Rahul Sharma: There is going to be no restructuring front across markets basically, it is on the field force at least?

Dilip S. Shanghvi: What you mean is field force size reduction or restructuring?

Rahul Sharma: Yes, size reduction as well as restructuring.

Dilip S. Shanghvi: I think there will be reorganization of field force with one division to another division, which product to these divisions, we have to go into much greater details before we can respond, and there maybe all of that, there is no plan to do any field force size reduction.

Moderator: Thank you. The next question is from Kaushil Pal of Kotak Mutual Fund. Please go ahead.

Kaushil Pal: My question is, that between now and December, let us say if we close the deal, there is 8-9 months left, and there are regulatory challenges at the end of Ranbaxy which is probably linked to some of the FTFs being monetized, during this time before the transaction is closed, can we expect some sort of attempted synergy to resolve those issues in monetizing the FTF?

Dilip S. Shanghvi: What kind of synergy do you think we can…?

Kaushil Pal: There could be outsourcing to Sun from Ranbaxy, there could be transfer of ANDAs, I am not sure what is possible legally?

Israel Makov: Legally, these two companies they are independent during this transition period; however, Sun will give any support that Ranbaxy will need in terms of meeting these challenges, and we trust the management of Ranbaxy to continue and lead the company to resolve these issues.

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

Nimesh Mehta: If you can just highlight, how can you rank order the most important markets of Ranbaxy which you feel you will be able to leverage the most that will be very helpful?

Dilip S. Shanghvi: Immediately the largest market would be the one which we can leverage the most -- India, US and then the emerging markets -- South Africa, Russia, then Ukraine, then Malaysia. So there are many opportunities and I think as we get to know the business better, we will get greater clarity.

Nimesh Mehta: What I am trying to actually integrate it with is let us say the synergy that you have mentioned about US$250 million and you mentioned that it will come from top line growth. So which exactly are the markets that you are most hopeful of driving this growth?

Israel Makov: It is across markets because first of the US$250 million, part of it is turnover and part of it is operational. We are going to drive it from cross-sales of products in certain markets and this is going to happen across the board and not necessarily just in one single market. Just remember that in many of these emerging markets Sun has much smaller presence than Ranbaxy, sometimes a larger presence, and when you combine these two one plus one is not two, its three.

Sudhir Valia: In Egypt, Ranbaxy has more than US10 million sales and Sun Pharma is not present. Now this can help Sun Pharma to enter into that market, this is one example.

Israel Makov: And wanted to go into this market and many other markets. So they give us bases in many other countries where we do not have a base.

Nimesh Mehta: Second is in the operational integration how do you think you will be integrating Ranbaxy -- will it be let us say by divisions, meaning the domestic division will be headed by someone, who was heading the Sun Pharma's domestic division and so on and so forth, or it will be operational head of Ranbaxy, how do you think it will happen?

Israel Makov: We want to tell you that we are not going to provide any list today and probably also not tomorrow, but I can assure you our philosophy is such that we will do every efforts possible to keep every talent on both companies.

Arun Sawhney: The richness of the talent that exists in both the companies, not only in sales but I think across value chain of pharmaceuticals is something that would be a tremendous asset to propel the growth of the combined entity, and if the synergies are coming out of growth and operations, I think this combined talent will unleash it.

Moderator: Thank you. Our next question is from Surya Patra of Phillip Capital. Please go ahead.

Surya Patra: Currently Ranbaxy and Daiichi, both operate a hybrid business model in various geographies; they both promote same brands and all that in certain geographies. So post merger how would Sun deal with that kind of running arrangement between Ranbaxy and Daiichi?

Dilip S. Shanghvi: Sun will maintain all the existing agreements that Ranbaxy has with Daiichi. We look at Daiichi as an important shareholder, and we would work towards improving the depth of the relationship across many markets.

Surya Patra: So does that mean we are not that serious about Japanese entry so far as the Generic business is concerned?

Dilip S. Shanghvi: Sun actually today does not have any significant Japanese presence. I think we have to develop a better understanding of Ranbaxy's existing business in Japan, and we will work with Daiichi and also take their input for developing a future strategy for Japan, because clearly they would have much better understanding of the market than what we have. And if Daiichi is interested in developing a business, and if they think that the combined company can be an important source of products for them, then we will be very happy to work with them to progress on this.

Moderator: Thank you. Our next question is from Sudarshan Padmanabhan of Sundaram Mutual Fund. Please go ahead.

Sudarshan Padmanabhan: If currently you have a hybrid model in which Daiichi is the front end in certain markets where Daiichi is strong in, and Ranbaxy is promoting products for Daiichi where Ranbaxy is strong in, how is this arrangement going to be in future?

Arun Sawhney: I think the combined entity or the surviving entity should succeed all the arrangements that exist today between Ranbaxy and Daiichi Sankyo.

Sudarshan Padmanabhan: Coming to the US FDA, I mean we have about 3 to 4 facilities which is under consent decree and has various issues, from your assessment from whatever we have done internally, when do we start getting the approval from the US FDA, because I do understand that just because it is 2017 does not mean that you will have to wait till 2017 for the approval pipeline to start kicking in, and you have good products like Diovan and Nexium following next year, so how do we see the prospects for Ranbaxy as well as Sun Pharma now?

Arun Sawhney: There are two separate things; there are obligations under the consent decree, and we will fulfill those obligations under the consent decree. And it is a public document, one can see, and we have so far progressed pretty well on the obligations under the consent decree. We would evaluate now even greater opportunities that can accrue with the combined entities, the strength that the combined entities will bring.

Moderator: Thank you. Our next question is from Vidya Sreedhar of Cogencis. Please go ahead.

Vidya Sreedhar: Probably someone asked a bit of this, but I would still like to know… because as you already said that you are not looking at synergies in the manufacturing, because most of it is out of the US market for supplies, so how would you value the rest of the Ranbaxy in terms of the products, and what exactly are you giving this value for?

Israel Makov: We did not say that we are not going to drive the synergies in the US. Actually, we are going to drive synergies across the markets of Ranbaxy and Sun. And when you combine these operations which are really compatible and actually complement each other in many of the countries, you have huge potential synergies which we have looked into and we quantify, but we are not going to provide the list here.

Vidya Sreedhar: But I would also like to hear from Sun Pharma what are the values they see in Ranbaxy apart from their manufacturing facilities?

Dilip S. Shanghvi: I do not think it is possible for me to explain on the call.

Vidya Sreedhar: Just one more thing then, do you have any as of now any idea on the timelines that will be there for the exclusivity of products that Ranbaxy has that could be launched in the US?

Dilip S. Shanghvi: We have answered this question.

Moderator: Thank you. Our next question is from Emilia Falcetti of Cantor Fitzgerald. Please go ahead.

Emilia Falcetti: I have got two questions; the first one is in the deal, does Daiichi Sankyo have to sign a lockup period agreement -- so would that 9% stake they hold be locked up for a period of time? And the second question which is a little bit of a repeat of some older questions but slightly new one, my understanding is Ranbaxy's ability to distribute in the US is very-very limited with all the import ban, but

Sun Pharma still has some ability to supply the US, …and this is a technical question rather than anything else, is it legally possible for these first-to-file to be transferred, as well as anything else that Ranbaxy was previously supplying to the US to Sun Pharma manufacturing within this year?

Dilip S. Shanghvi: You have asked two questions; one is a question that I think Daiichi should answer about their shareholding. About the US my sense is that it is linked by the regulatory processes in the US. So even independent of these transactions, if let us say theoretically if Ranbaxy could have transferred the product to any other approved facility whether owned by the same parent or not, is not treated any differently by the FDA. So this transaction will not facilitate anything which was not possible otherwise.

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

Ranjit Kapadia: My question relates to rationalization of manufacturing facilities. Is there anything on the cards? And second question is what the timeline for completion?

Dilip S. Shanghvi: Timelines have been disclosed. And as we explained, the underlying logic of this transaction is developing synergy through growth, because both the companies have presence and opportunity to grow in all the markets that they are present in. This strengthens the management and the administrative capability of the combined company to become a much more successful global company going forward.

Ranjit Kapadia: And sir what will be the effective date for this?

Uday Baldota: Effective date will be decided later on.

Moderator: Thank you. Our next question is from Bansi Vora of Citi Group. Please go ahead.

Prashant Nair: Hi, this is Prashant here. Just had a couple of questions; firstly, can you give some more color on the indemnity that you have mentioned in the press release -- does this relate to Toansa alone or what aspects related to the FDA action would this indemnity cover you for?

Dilip S. Shanghvi: Whatever that we would like to disclose we have already disclosed in the press release as well as a part of my presentation in slides. Because it is a technical issue, I do not want to respond because I would not know how to use the legal terms, and I might end up giving you something which is legally incorrect.

Prashant Nair: Secondly, when you mentioned that this deal would be cash-accretive in the first year, are there any assumptions related to the first-to-files especially Nexium or Diovan that have been built into that assumption?

Dilip S. Shanghvi: I answered this earlier. It is that it is better for me not to presume anything that I cannot control in a commitment that we make as a company.

Moderator: Thank you. Our next question is from Anubhav Agrawal of Credit Suisse. Please go ahead.

Anubhav Agrawal: Dilip bhai, my perception so far has been that pay back period which Sun Pharma look for any acquisition was somewhere around 5-6 years. Would you say that this acquisition will be better than that, worse than that, how about that?

Dilip S. Shanghvi: I am going in with a view that we will meet our numbers. I think a year down the line I will tell you whether we will do better. I am not expecting to do worst.

Anubhav Agrawal: What is the reference point here – 5-6-years?

Dilip S. Shanghvi: Yes, that is the reference point.

Anubhav Agrawal: Any reason why this acquisition was not a combination of cash and stock versus all-stock transaction? Was that driven by Daiichi how they wanted to be?

Dilip S. Shanghvi: You have to understand that generally as a company we have not done stock transaction, because we think that ultimately it works out expensive for shareholders. Here we see an opportunity which is far beyond the potential acceleration in value because we also develop relationship with Daiichi Sankyo, and that to us is a great asset coming as a part of this transaction, and that is the reason why we decided to dilute Sun Pharma shareholders for this transaction.

Anubhav Agrawal: This is just confusion from what Mr. Shanghvi's reply…

Uday Baldota: I am just answering… probably adding to what Mr. Shanghvi said, I think we can probably explain we think this this was a more appropriate structure for the deal but I think your question is probably related to why Daiichi decided to take stock and that is a question that …

Anubhav Agrawal: No, not really, I am asking only from Sun Pharma perspective that with all stock transaction you get Daiichi as a shareholder, was that the intended logic of using all-stock transaction?

Dilip S. Shanghvi: I think that was an important logic for us because we believe that we can add value and create wealth for all shareholders going forward which will also include Daiichi.

Israel Makov: Not in every transaction we are able to gain a partnership, but in this case we gain a partnership, this is one of the reasons for us to go for this transaction.

Moderator: Thank you. Our next question is a follow up from Bino Pathiparampil of IIFL. Please go ahead.

Bino Pathaparampil: Just a quick follow up on the shares being held. If I got it correctly the promoters do not have any shareholding but Sun Pharma subsidiary has some shareholding in Ranbaxy?

Dilip S. Shanghvi: That is correct.

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

Sameer Baisiwala: Numbers speak for themselves. If we look at Ranbaxy… I am doing from 2010 to 2013 three years and we can go back as far back as you want, I am excluding US, the rest of the business sales growth has been 9% or so, and this is coming from the fast growing emerging markets and so on and so forth. I think across businesses, across geographies, Ranbaxy is known to have underperformed over a long period of time, and this is just talking of sales, we are not going to margins, and we are not going to anything else. So qualitatively you still find the underlying business to be attractive to be added to Sun Pharma?

Dilip S. Shanghvi: If you see in case of Taro, that was a company which was consistently underperforming market, actually degrowing in a market in which everybody else was growing. The same company without actually any major change or almost no change excepting that Kal is now the CEO, the same company; same people are producing EBITDA, which is even significantly better than Sun Pharma. So as I say it I think people want to succeed and do well and be part of a winning team. All what is required is to give them opportunity, direction and encouragement.

Israel Makov: And we expect in the future, Ranbaxy part before in the same lines of Sun Pharma, and there you can make calculations whether it really has a value or not.

Sameer Baisiwala: Just a small point on this… you give a Taro comparison, you do not think Ranbaxy is in the so to say in the products, etc., wrongly in the sense, there are structural issues with the business that they are in the low growing therapeutic areas, and so therefore you can incentivize people but those therapeutic areas themselves and those markets are not growing as fast, so you can outperform the market by unlocking the human talent, but still there would be a definitive ceiling to which we can grow this business, so do you see there are any structural issues with the business that you are acquiring?

Dilip S. Shanghvi: It is a very valid observation… and I have always maintained that the lifecycle of a product has an important impact in terms of overall growth that a company can manage. There are companies which have a larger percentage of products which are the kind of lifecycle where either they are not growing or degrowing. So if you have large part of that business in your product portfolio, then growing is a challenge. But how to give additional products, how to find a way to revitalize the product and also opportunities that one can find a way to leverage. And I believe that it should be possible because Ranbaxy has a portfolio of products which can grow also. So I am not visualizing a huge challenge here.

Arun Sawhney: Also, if you look at the recent years, the shift that Ranbaxy was making, you can see in India, for example, in Urology we have made a good mark which is away from the earlier successes in anti-Infective, in lifestyle diseases in Statins, we made a very good mark, whether it was Atorvastatin or Rosuvastatin, in creating an OTC business, I Revital and Volini are household name today. So it is not only the traditional antibiotics which is classified as low growth segments, but even in the high growth segments there have been good growth seen in Ranbaxy business in India and elsewhere in the world also.

Dilip S. Shanghvi: I think also, Arun, as you were saying that there have been supply challenges which also has been a handicap in the ability to grow the business. So if that part also as we work together to de-bottleneck that also should add to the…

Arun Sawhney: It will provide propulsion.

Dilip S. Shanghvi: There are opportunities that we think are possible to solve or address. And once they are solved or addressed I think we should see definite improvement.

Moderator: Thank you. Our next question is from Manoj Garg of DSP Merrill Lynch. Please go ahead.

Manoj Garg: Sir, do we need to go for an open offer or not while this deal is a share swap?

Sudhir Valia: No, the merger is exempt from an open offer.

Manoj Garg: Another thing which we are talking about this US$250 million synergy in revenue and operations, so how much of that can flow to the bottom line?

Dilip S. Shanghvi: Almost all of it.

Israel Makov: Synergies by definition are going to be at a bottom line.

Manoj Garg: No, but when we talk about revenue, so obviously there will be some cost element which is also being associated with that?

Dilip S. Shanghvi: So we are looking at the margin post the upside of sales. If the sales go up by US$250 million that is not what I am saying is US$250 million synergy.

Moderator: Thank you. Our next question is from Dheeresh Pathak of Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir, this is in continuation to a question already asked; Silver Street Developers which was holding slightly less than 2% stake is it to understand that that is a 100% subsidiary of Sun Pharma?

Dilip S. Shanghvi: Yes.

Dheeresh Pathak: No, I am just confirming if Silver Street Developers are always a 100% subsidiary, or there is a recent change in ownership?

Sudhir Valia: That entity is a LLP held by two of the subsidiary of Sun Pharma.

Moderator: Thank you. Our next question is from Amit Shah of Enam Asset Management. Please go ahead.

Amit Shah: Just two questions; one is arrangement with Merck for developing markets sometime back it was done, and I believe one of the rationale was to tap their marketing and distribution reach, so what is the future of that arrangement with Merck? Now, with this Ranbaxy acquisition Sun Pharma itself has gone that kind of reach.

Dilip S. Shanghvi: I think that arrangement continues, and we are excited about that arrangement for future.

Amit Shah: My second question is to the management of Ranbaxy, Mr. Sawhney. Sun Pharma is known for in the past to buy the assets in distress and has a strategy of deep discount to their inherent value. This time also the case is same. So why have Ranbaxy promoters and management sold the company to Sun Pharma at such a deep discount to its inherent value?

Dilip S. Shanghvi: I am trying to understand how Arun can answer because shareholders are not here on the call, no, it is a Daiichi Sankyo decision.

Amit Shah: But not an issue, I will take it offline, no problem.

Moderator: Thank you. Ladies and Gentlemen that was our last question. I now hand the floor back to Mr. Nimish Desai for closing comments.

Nimish Desai: Thank you everybody for being there on the call. And if any of your questions have remained unanswered, please send them across. Have a good day.

Moderator: Thank you. Ladies and Gentlemen with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.