**Corporate Participants**

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

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

**C. S. Muralidharan**
Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

**Kirti Ganorkar**
CEO (India Business), Sun Pharmaceutical Industries Ltd.

**Moderator:** Ladies and gentlemen, good day and welcome to Sun Pharma's Q1FY23 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 phone. 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 first quarter FY23 Earnings Call. I'm Nimish from the Sun Pharma Investor Relations team. We hope you received the Q1 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. C.S. Muralidharan – CFO; Mr. Abhay Gandhi -- CEO of North America; Mr. Kirti Ganorkar -- CEO of India business.

Today, the team will discuss performance highlights, update on strategies and respond to any questions that you may have. As is usual, for the ease of discussion, we will look at consolidated financials.

Just as a reminder, this call is being recorded and the replay will be available for the next few days. The call transcript will also be put up on our website shortly.

The discussion today might include certain forward-looking statements and this 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're 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 S. Shanghvi:** Welcome and thank you for joining us for this earnings call after the announcement of financial results for the first quarter FY23.

Let me discuss some of the key highlights:

Consolidated sales for the quarter were at Rs.106 billion, recording a growth of about 14% YoY on like-to-like basis excluding the contribution of Covid products from Q1 last year. The reported topline growth was 10% YoY and 13% QoQ. All our businesses, witnessed good growth, driven by a combination of robust growth of our specialty business and all-round growth across all markets.

Let me now update you on our global specialty business. For Q1, our global specialty revenue was up 29% YoY at about US$ 191 million.

Ilumya, Cequa and Odomzo were the growth drivers while Winlevi is gradually ramping up.

Specialty R&D accounted for approximately 21% of our total R&D spend for the quarter.

Abhay will give you more details on the specialty business later.

I will now hand over the call to Murali for discussion of our first quarter financial performance.

**C.S. Muralidharan:** Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q1 financials are already with you. As usual, we will look at key consolidated financials.

We recorded the highest ever quarterly revenues in Q1 with sales at Rs. 106 billion, up by 14% YoY excluding the contribution of Covid products for Q1 last year. On reported basis, sales are up 10%. Material cost as a percentage of sales was 27.2% while staff cost stands at 19.5% of sales. Staff costs are higher over Q1 last year due to overall merit increase, full quarter consolidation of the Alchemee acquisition and expansion of the sales force in India. Other expenditure stands at 28.6% of sales, higher than Q1 last year. The increase in other expenditure is attributed towards higher selling & promotion expenses and consolidation of the Alchemee business.

As indicated in our past earnings calls, the expenses are seeing an increasing trend across all the markets as we reach full normalization.

Forex gain for the quarter was Rs. 1,457 million compared to a gain of Rs. 799 million for Q1 last year.

EBITDA for Q1 was at Rs. 28,844 million including other operating revenues, up by 2% over Q1 last year with EBITDA margins at 26.8%. The single-digit growth in reported EBITDA YoY is due to

multiple factors like, normalization of selling and promotional expenses, first full quarter of consolidation of Alchemee acquisition, sales force expansion in India and absence of Covid product contribution in the current quarter.

Reported net profit for Q1 was at Rs. 20.6 billion up 42.7% YoY compared to Q1 last year. Excluding the exceptional items of Q1 last year, the adjusted net profit was up by 4.1%.

Reported EPS for the quarter was at Rs. 8.60 per share.

Let me now discuss the key movements versus Q4FY22:

Our consolidated sales were higher by about 13% QoQ at Rs. 106 billion. Staff costs have increased in absolute terms QoQ on account of annual merit increases, expansion of sales force in India and full quarter consolidation of Alchemee. Other expenses are higher due to increase in selling, promotional and travel expenses as well as consolidation of Alchemee acquisition.

EBITDA for Q1 at Rs. 28,844 million, was higher by 23% compared to Q4. EBITDA Margin for Q1 was at 26.8% compared to 24.8% for Q4 of last year.

Net profit for Q1 at Rs. 20.6 billion, was higher than the adjusted net profit of Q4 by about 30%.

As of 30-June-2022, net cash was US$ 2 billion at consolidated level and about US$ 860 million at the ex-Taro level.

Let me now briefly discuss Taro's performance.

Taro posted Q1FY23 sales of US$ 156.7 million and net profit of US$ 14 million. Taro's financials include the first full quarter of consolidation of the Alchemee acquisition.

I will now hand over to Mr. Kirti Ganorkar, who will share the performance of our India business.

**Kirti Ganorkar:** Thank you Murali. Let me take you through the performance of our India business.

For Q1, sales of formulations in India were at 33,871 million, up 13% on like-to-like basis, excluding Covid products sales of Q1 last year. On reported basis, the growth is 2.4% over Q1 last year. India

formulation sales accounted for about 32% of total consolidated sales. There were no Covid product sales in Q1 of this year.

In terms of the core business growth, we continued to witness good growth across therapies in the chronic and the sub-chronic segments for the quarter.

We have maintained the trend of the past few quarters of outperforming the average industry growth, which has led to increase in our overall market share. As per AIOCD AWACS June-2022 MAT data, our market share has improved by about 0.5% over the last one year to 8.5%. As per SMSRC report, we are No.1 ranked, by prescriptions, with 11 different doctor categories.

The expansion of the field force in India is on track and we have achieved about 90% of the targeted hiring. While we continue to increase our reach and access, we are also focusing on continuously increasing our share across key therapies and improving overall productivity.

For Q1, we launched 22 new products in the Indian market.

We also continue to remain the partner of choice for in-licensing of products, given our strong no. 1 position in many therapy areas, including therapies for treatment of Covid infection, coupled with our large distribution network.

I will now hand over the call to Abhay.

**Abhay Gandhi:** Thank you Kirti. I will briefly discuss the performance highlights of our US businesses. For Q1, our overall sales in the US grew by about 11% over Q1 last year to US$ 420 million. While all our businesses in US have grown, the main driver of growth was the specialty business driven by Ilumya, Cequa, Odomzo and Winlevi. US accounted for over 30% of consolidated sales for the quarter.

Specialty sales have also grown compared to March-2022 quarter despite the seasonal decline in Levulan sales.

While doctor clinics have been open in the US during the quarter, the situation is yet to fully normalize. Patient flow to doctor's clinics as well as frequency of doctor calls by our medical representatives, are both still below pre-Covid levels.

Winlevi is gradually ramping up and more than 10,000 doctors have prescribed the product till date.

Let me now update you on our US generics business. While the US generic business continues to be competitive, the Sun ex-Taro generics business has recorded growth both on YoY and QoQ basis. This growth is driven by a combination of new launches, market share gains for existing products and better supply chain management. For Q1, we launched 2 new generic products in the US market on ex-Taro basis.

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

**Dilip S. Shanghvi:** Thank you Abhay. I will briefly discuss the performance highlights of our other businesses as well as give you an update on our R&D initiatives.

Our sales in Emerging Markets were at US$ 245 million for first quarter, up by about 12.6% year-on-year. There has been significant volatility in various emerging market currencies which has impacted our reported growth. The underlying growth in constant currency terms was about 16%. Emerging Markets accounted for about 18% of total sales for first quarter.

Emerging Markets are in the branded generic space, and it continues to perform well and we have maintained our strong positioning in key markets.

Formulation sales in Rest of World markets excluding US and Emerging Markets, were US$ 190 million in first quarter, up by about 3% over first quarter last year. RoW markets accounted for approximately 14% of consolidated Q1 revenues.

API sales for Q1 were at Rs. 5,987 million, up by about 16% over first quarter last year.

We continue to invest in building a R&D pipeline for both the global generics and the specialty businesses. R&D efforts are ongoing for the US, Emerging Markets, RoW Markets and for India. Consolidated R&D investment for first quarter was at Rs. 4,608 million compared to Rs. 5,926 million for first quarter last year. Lower R&D spending is basically a timing issue and we expect it will gain momentum and be in-line with our guidance in the coming quarters.

Our current generic pipeline for the US market includes 89 ANDAs and 13 NDAs awaiting approval with the US FDA. Our specialty R&D pipeline includes 4 molecules undergoing clinical trials.

Ilumya is undergoing Phase-3 trials for psoriatic arthritis while SCD-044, an oral dermatology product, is in Phase-2 trials for psoriasis and atopic dermatitis. MM-II is also in Phase-2 trials for treatment of pain in osteoarthritis. Our GLP-1R agonist, GL0034, is undergoing a Phase-1 trials for type-2 diabetes.

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

**Moderator:** We will begin the question-and-answer session. The first question is from the line of Kunal Dhamesha from Macquarie Capital. Please go ahead.

**Kunal Dhamesha:** The first one on Taro. Is that any one-off related to integration cost in the SG&A expense for Q1?

**Dilip S. Shanghvi:** For Taro we cannot give information beyond whatever Taro has shared. So sorry, but I can't respond.

**Kunal Dhamesha:** Second one on psoriatic arthritis trial. We were looking at some revised timelines on that because some centers I think there were some issues and we were looking at new centers. So, all those has been figured out or is it still ongoing, any timeline in terms of when that trial can get completed?

**Dilip S. Shanghvi:** We have not given guidelines of the completion of the trial, but the challenges in both Ukraine and Russia have contributed to potential delay.

**Kunal Dhamesha:** But, does it also affect our US timeline for that product?

**Dilip S. Shanghvi:** This product is in a multi-centre global trial. Based on which then we will file in all the markets, so it will effect.

**Kunal Dhamesha:** So, to that extent, if we are not able to solve that or till the Russia-Ukraine thing is now basically normalized?

**Dilip S. Shanghvi:** They have to make up for that in some other country.

**Kunal Dhamesha:** So, then there is some upside this core, basically R&D could even be lower in the coming quarter?

**Dilip S. Shanghvi:** We are addressing the issue.

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

**Prakash Agarwal:** My question is on the cost, which is staff and SG&A ex-R&D. So, both these places, there has been double digit growth both YoY and QoQ. So, is it a function of currency or inflation or increased promotion both in India and US, if you could just give some color and is it here to stay?

**C.S. Muralidharan:** So, as far as expenses is concerned, we have already said that it will be inching up as the operations normalize across the markets, and with the increase in sales in India what we witnessed and also in our global revenues and normalized operations, these expenses increased to the current level and there is no specific forex related component including that.

**Prakash Agarwal:** But only because of India or there are promotionals which is -

**C.S. Muralidharan:** This is across markets.

**Prakash Agarwal:** There could be any comment on the US if you increase your promotions with respect to your growing specialty portfolio?

**C.S. Muralidharan:** Very difficult to comment specifically if any market how much increase happened towards the SG&A.

**Prakash Agarwal:** So, these are all base level cost increases which are here to stay, there's no one-off as such?

**C.S. Muralidharan:** No. There is no one-off

**Prakash Agarwal:** I think Dilipbhai mentioned about R&D in the timing issue, but whole of last year also we had lower guidance in R&D. So just trying to think better the trials are ongoing in the past

you said as a color that recruitments have been delayed, but I think world in the last 6, 12 months already come back to normalcy. So, if you could give more details, why we are seeing that kind of timing issue, that would be very helpful?

**Dilip S. Shanghvi:** We are saying that for the rest of the year, the R&D spend we will make up. So, if you see the percentage of the innovative R&D, has come down significantly, so which is what we are expecting and go up. So, the overall percentage of the innovative R&D in the total R&D cost will move up.

**Prakash Agarwal:** I missed the percentage sir. Could you please help me with the percentage?

**Dilip S. Shanghvi:** We indicated that innovative R&D is 21% of the total R&D spend for the quarter.

**Moderator:** Next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:** My question is on Cequa. So, post entry of generic for Restisis, have you seen any change in market dynamics for pricing or prescription pickup for the branded products including your Cequa brand?

**Abhay Gandhi:** Not really. If you see the market share, even post-launch of the generic, we've been able to ensure an increase in market share. So, we are able to navigate through the situation.

**Damayanti Kerai:** Anything on the pricing part or similar as compared to the generic entry?

**Abhay Gandhi:** So, all segments of business put together, I don't see a negative impact on the pricing.

**Damayanti Kerai:** My second question is on Halol plant. Any timeline or any update you've heard from the FDA?

**Dilip S. Shanghvi:** We are awaiting the EIR which means Establishment Inspection Report, post which we can then update, but otherwise, we continue to update USFDA about the remediation for all the 483s that we have received.

**Moderator:** Next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

**Neha Manpuria:** Abhay, on Winlevi, if I were to look at the prescription data, there seems to be some sort of a stabilization after the initial momentum that we saw in the product? Has there been any change in the promotion that is leading to this and what's your view on Winlevi contribution meaningfully sort of increasing to the fatality sales that we are reporting, any sense there?

**Abhay Gandhi:** If I look at the data, I see quarter-on-quarter, we have grown by nearly 22%. So I don't know why you say that there has been a slowdown.

**Neha Manpuria:** No, I'm looking at it more in the last six, nine weeks probably.

**Abhay Gandhi:** Don't forget that these are also the summer months where derm products generally slow down a bit. So therefore, if you're looking at six, eight weeks, nine weeks kind of period, you are right. But I look at it on a quarter-on-quarter basis, even in a slow quarter, if we have grown by 22%, that's a reasonable number.

**Neha Manpuria:** And there is no change in promotions in Winlevi since our launch, right?

**Abhay Gandhi:** When you say change, I mean, there is nothing which is a negative. Of course, we will keep looking at what is it that we learn about the product as we promote and make improvements as we go along. So, the change will always be there, but it's a change for the better is what we hope.

**Neha Manpuria:** In terms of contribution of Winlevi when do you think you have adequate formulary coverage to start seeing in Winlevi contribution? I know it's too difficult to sort of spell that down, but in your view, what is your assessment based on your conversation with the firm release?

**Abhay Gandhi:** So, product wise you know we don't give the split, but we have always been very positive and optimistic about Winlevi and otherwise, you would not have had 10,000 doctors in some seven, eight months prescribing the product. And we continue to invest on the product and with the hope that it will be important contributor to the overall business.

**Moderator:** Next question is from the line of Krish Mehta from Enam Holdings. Please go ahead.

**Krish Mehta** If you could just provide some explanation on why the other income was really low this quarter, and how you see it going forward given the large cash balance that we have on our books.

**C.S. Muralidharan:** So other income by definition is not very core to overall our business. It comprises various moving parts, including fair valuation of investments, certain treasury income across multiple geographies, which do fluctuate from quarter-to-quarter. So, I think in our view, comparison strictly on a quarter-on-quarter may not be correct.

**Krish Mehta:** I was actually looking at it over the last 16 quarters and we've always tended to be above Rs.100 crores. And given it was Rs.2 crores, I was wondering if there's a one-off and if there's a trend?

**C.S. Muralidharan:** There is no one-off.

**Moderator:** The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** Abhay, first question is on Pentasa. So, a good launch. This is 1Q results capture full three months impact including launch inventory, or was it less?

**Abhay Gandhi:** This captures the whole quarter.

**Sameer Baisiwala:** You launched in the middle of May. So therefore, I –

**Abhay Gandhi:** You're talking the approval period. We launched it in the month of May actually. So, it's one and a half months sales roughly that we were able to capture.

**Sameer Baisiwala:** And plus some launch inventory, no?

**Abhay Gandhi:** What do you exactly mean by launch inventory? We didn't stock up the distributors if that's the question, did we like stock it up, no.

**Sameer Baisiwala:** The second question is on Winlevi. First is on the expansion of the deal to newer markets. So if you can just tell us how much regulatory work needs to be done here and how meaningful can this be just qualitatively if you can?

**Dilip S. Shanghvi:** I think regulatory work in different countries are different. In some countries, we just have to file the existing product with the existing studies. In some countries, we have to do some kind of Phase-4 stability study or those kinds of things. Especially in Japan, I think we will have to run the Phase-2, Phase-3 for sure.

**Sameer Baisiwala:** So it's fair to say that it would be at least one year before the approval cycle begins in these new markets?

**Dilip S. Shanghvi:** Minimum, because many countries have approval cycle of two years.

**Sameer Baisiwala:** Just for the US market for Winlevi, Abhay, would it be fair to say that a large part of the prescriptions being generated are under co-pay scheme and smaller portions being getting reimbursed?

**Abhay Gandhi:** You can say that, though remember, co-pay also leads to a realization, so it's not exactly like free. But we are increasingly seeing that a lot of our prescriptions are actually going through the payer system even without contracting. So that's very useful because it shows that doctors are interested enough in the product to take the effort of raising prior authorizations.

**Sameer Baisiwala:** But including that also what's going directly through payers, but still larger part is co-pay and of course you get some money but it's just barely about covers because maybe little bit margin no?

**Abhay Gandhi:** Let me just say that if everything goes to the payor system, I will be the happiest person.

**Sameer Baisiwala:** On Levulan, when you see, Abhay, the sales getting restored back to pre-COVID levels?

**Abhay Gandhi:** Very difficult question to answer because if I see in the US, even today, the social distancing norms… and I'm talking in clinic, not in the outside world, how many patients are taken up in a day and all that is much lower than what it used to be in the pre-COVID times. So, to that extent, the throughput per doctor has definitely come down. Having said that, the number of doctors who are now doing PDT therapy has increased from what it used to be like a year or two years ago.

So, between the positive and the negative pull, what really translates as a growth is very difficult for me to estimate at the moment.

**Moderator:** Next question is from the line of Surya Patra from Phillip Capital. Please go ahead.

**Surya Patra:** So, just first on the Alchemee. Since it has been integrated, and it has obviously had implication on the staff cost rise, other expenses rise and all that, and this quarter we have seen kind of a meaningful underperformance at Taro end also. So just to understand a bit, whether this is a kind of profit making company or it is a loss-making company or what is the kind of profitability of its portfolio that has been added, some sense on that if you can give it will be helpful?

**C.S. Muralidharan:** I think beyond what Taro has disclosed, we'll be unable to furnish any further information on Alchemee acquisition.

**Surya Patra:** Second question is on the Revlimid. So, now are you in a position to give the launch timeline for this? Secondly, on this, do you think the competitive intensity could be higher than what it was earlier expected among the first launch play, because what we are seeing that although it is a volume limited kind of condition that is there for everybody day, but in case of Teva, it seems a double digit percentage of volume there they have done post-launch. So, do you see the condition of limited volume one is not so rigid, and people can do more than what it is when mentioned in the terms?

**Abhay Gandhi:** I think every company has its own different contract and agreement with the innovator. So once you are bound by a contract, you abide by it. So I think that's a simple answer to your question. Even we will abide by whatever we have committed in our contract. So I think that should answer the latter part of your question. As to the first part, internally, I am clear when we would be likely to launch, but on our calls, we don't give product wise details when exactly we are launching. That's also competitive information.

**Surya Patra:** Last question on the sales force addition. So we had indicated around 10% kind of rise in the current financial year. So, when you said that 90% of the targeted addition is being done. So, that means the full cost impact of that has already been reflected in the numbers, is that right?

**Kirti Ganorkar:** Yes.

**Moderator:** Next question is from the line of Dhara Patwa from SMIFS Limited. Please go ahead.

**Dhara Patwa:** I have a question regarding Ilumya. Since the trials are ongoing for psoriatic arthritis, so how does the pricing differ -- do we keep the same pricing as per the current indication of psoriasis or the pricing differ for different indication?

**Dilip S. Shanghvi:** Pricing for every product is a function of appropriately choosing the price, which will allow you to get appropriate reimbursement as well as accessing different formularies. So, it's difficult to respond today because it's better to take those decisions closer to the market. And we have to remain competitive with whatever the pricing for IL-23 for that indication would be at that point of time so that we can get good acceptance.

**Dhara Patwa:** Sir, will it be fair to assume that whatever the competitors are offering will be more or less 10%, 20% at that range?

**Dilip S. Shanghvi:** I think that is how we have priced Ilumya for psoriasis also, is that it's in line with the competitive pricing for psoriasis. So, we will continue with the same trend.

**Dhara Patwa:** I wanted CAPEX guidance for FY23.

**Dilip S. Shanghvi:** We have not given any specific guidance, but we have no major investment. However, in any case, some kind of debottlenecking or minor upgradation, we would generally spend a few hundred crores every year.

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

**Nimish Mehta:** Just one question on Halol. Is it fair to assume that we've been able to shift all the injectable approvals that were held up at Halol to other facility or it's still work-in progress, how do we look at it?

**Dilip S. Shanghvi:** We've not responded to the issue specifically about Halol. We hope that we should get approval once we will get the EIR. Some of the critical products on safety basis, we may evaluate transfer to a third-party.

**Nimish Mehta:** But as of now, we have not really shifted any products to other facility, is it fair to assume?

**Dilip S. Shanghvi:** Yes, not yet.

**Moderator:** Next question is from the line of Harsh from IDFC Asset Management. Please go ahead.

**Harsh:** I just had one particular question. So, just wanted to get your view on the Sitagliptin genericization. What is the ground level understanding as of today? I mean, I understand that it might be a little bit early to comment, because the market formation is yet to happen, the transition is taking place. So just wanted to get your view, like what do you see as the upside to the overall transition, any particular risk that we are seeing right now, and which particular molecule should be possibly more at risk in terms of gliptins or would it be more towards Glimepride, any thoughts on the transition?

**Kirti Ganorkar:** It's a very broad question about Sitagliptin marketing. So, what I can say is that the patent got just expired on 5th July. So, we are too early to the market. And as of today, as I understand that there are 25 companies which has launched the generic products and the pricing is in the range of Rs. 9-10 for 50 milligrams. And the market dynamics is very competitive. So, everyone is trying to get market share out of what market share Sun has or Merck had in the past. So, we have about 33% market share and our objective is, even post-patent expiry, how do we protect our market share and grow over that. That's what we can say. The other question was how the PP4 like Sitagliptin will impact other therapy areas, is very difficult to say. Maybe after one or two quarters, we will have more clarity on how it is impacting the other therapies.

**Moderator:** Next question is from the line of Naushad Chaudhary from Aditya Birla. Please go ahead.

**Naushad Chaudhary:** Just a clarification, sir. If I look at your specialty business, the quarterly run rate that has crossed our targeted annual rate of around $750 million, if I remember it correctly, so would you like to revise your target here and what we should expect in FY23, FY24 and FY25 from this piece of business?

**C.S. Muralidharan:** So, at the outset, we want to clarify that we have not given any annual target or guidance of global specialty sales. So I think it's important to realize that. As such, we have not given any guidance on any specific individual business.

**Naushad Chaudhary:** So in terms of growth rate, should we expect this kind of momentum to continue in this business?

**Dilip S. Shanghvi:** I think you should factor everything that we've given within our guidance. It's a mixture of how we expect all our businesses to perform, that will include specialty, generic, all markets.

**Naushad Chaudhary:** Lastly, in terms of our exceptional costs and provision, if I see last four or five years, the quantum has been quite high versus in this quarter. I don't see there is much of that. So going forward, should we expect the magnitude of that should come down significantly?

**C.S. Muralidharan:** So, in terms of ongoing litigation, we have given exclusive disclosure annual report and these matters will get decided as and when notification come up for hearing and concluded. So at this point of time, we will not be able to comment any outcome on these litigations.

**Moderator:** The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** A question on India business. When you do go down to smaller cities and towns, any thoughts that you can share, what is the limiting factor for you to drive growth, is it the less healthcare infrastructure or doctors, just your thoughts on that would be great?

**Dilip S. Shanghvi:** Sameer, what is the question?

**Sameer Baisiwala:** So, the question is since to drive India growth, we're trying to geographically expand which I read as going into smaller towns and cities. So when you are doing that, now at a larger scale, what do you think is the key limiting factor for you to expand your business?

**Dilip S. Shanghvi:** Actually, I don't understand the question. What is the limiting factor means? We remain very positive about our India business to be able to continue to grow. The reason why I think we are expanding is that we are seeing that overtime as a result of the trickle-down effect and also

because in some of the specialties we were not reaching out to 100% of the universe, there is an expansion. But Kirti can explain.

**Kirti Ganorkar:** I think what you're assuming is we are going into rural markets and smaller towns, that's not correct. When we are saying, we are expanding, it's not necessarily we are expanding into smaller towns and rural areas. There is a lot of expansion is happening in metros and tier-1, tier-2 cities.

**Sameer Baisiwala:** Okay, that's fine, sir. I will maybe take it offline. And the other question is, is there any update on the biosimilars? I think you had mentioned a few quarters back, that you'd be commencing work on this.

**Dilip S. Shanghvi:** We also said at that time, that we are looking at products in the third wave of approvals, in the sense, that we want to be in time for the launch along with patent expiry, but products that are likely to be going off-patent in the third wave. So that I think that we are pursuing.

**Sameer Baisiwala:** Still early days? Okay, that's fine. Sir, I'm little confused about the Taro's results. And I know you're not taking any questions on that. But I will just express what's going on in my mind. And they don't do a call. So, unfortunately, we can't ask anyone else. So the small point here is that if I see pre-Alchemee and post-Alchemee, full quarter impact, the sales has just grown about $15 million, or something like that, and the cost has gone up just the SG&A anywhere 30 million, so it's almost a big negative factor. That's one. And second, my understanding was, I think, 2021 full year, Alchemee's total sales was more like $161, $170 million. So actually, on a quarter basis, it should be a much higher number to begin with. So, I'm just wondering whether this Taro's result is a business as usual or it's going to get better as we go forward?

**Dilip S. Shanghvi:** I think, you started the question in a way which I think you understand that. Difficult to share beyond whatever that we have shared and I understand the challenge that you have in terms of putting a certain kind of model. However, I think, if you look at it in a positive way, then in spite of a loss of potential profit in Taro of almost $30 million, we've grown profitability. So I think philosophically, we're looking at that in our business there will be challenges in product or in some subset of business, how do we find a way to make up for that challenge as a company overall in the business and that's how we want to run the business on a long-term basis.

**Moderator:** The next question is from the line of Kunal Dhamesha from Macquerie Capital. Please go ahead.

**Kunal Dhamesha:** This one is on Winlevi. So given Winlevi was already approved at the time of North America in-licensing agreement, did that agreement included some form of initial inventory to be transferred to Sun Pharma?

**Abhay Gandhi:** Sorry, what is the question -- initial inventory?

**Kunal Dhamesha:** Yes, so I mean, the upfront payment of 45 million in the agreement would have also included some kind of inventory because it was already approved product and we were about to launch.

**Abhay Gandhi:** Whatever we have disclosed is disclosed. There is nothing on inventory that I can specifically answer to. It was not a marketed product, that's where you're going, it was an approved product, but not a marketed product.

**Kunal Dhamesha:** So the supply would have only started just before the -?

**Dilip S. Shanghvi:** You have to understand that the product came with Sun label.

**Abhay Gandhi:** It was produced for Sun after the agreement was signed in a certain transition period that we had agreed to. So there was no buying over or something of an existing inventory, if that's way you're going with this question.

**Moderator:** Next question is from Prakash Agarwal from Axis Capital Limited. Please go ahead.

**Prakash Agarwal:** My question is on the impact of the trade generics and private labels, which are in a way impacting the volume of the market. You see, three, five years, the volume has been really dismal. What is our sense and what is our strategy to have a volume growth and do we see this impact increasing for the market as well?

**Abhay Gandhi:** Which market are you referring to?

**Prakash Agarwal:** IPM branded generics, some volume share, right?

**Kirti Ganorkar:** You're talking of a generic-generic versus branded generics, right, that's a question?

**Prakash Agarwal:** If I've seen the IPM for last 10-year growth, 5%, 6% has been volume growth 3% price and 3% new product. If you see the last three, five year trend ex-COVID also, the volume has come down to 2%, 3%. My sense is there is some impact from trade generics and private labels, which is eating some volume share. What is your view going ahead that this is going to continue and increase and what is our strategy to combat that?

**Kirti Ganorkar:** In my view, we are growing well both by volume and value also. Even if it's some impact, it will not be a meaningful impact. That's my sense probably.

**Prakash Agarwal:** But you being a market leader, can you comment on the market or volume impact also?

**Kirti Ganorkar:** Sorry.

**Prakash Agarwal:** The question is, do you foresee this impact increasing for the market?

**Kirti Ganorkar:** It's difficult to predict what will happen.

**Dilip S. Shanghvi:** Also, Kirti, parallely we have to understand that access is continuously increasing because affordability of drugs, financial capacity to pay is constantly increasing. So maybe a small part of that will go to this.

**Kirti Ganorkar:** Percentage of that, how much it will impact? Difficult to say.

**Dilip S. Shanghvi:** We will continue to grow.

**Prakash Agarwal:** And on the NPPA side also, we haven't seen price control expansion for some time now. The last list was 15 and then there was some small list coming in. I do a discussion with the regulatory authority and what thought process we are using price increase, I mean, everybody's taken price increase, but for the core portfolio essential product list, what is your sense on the price rationalization which might come?

**Kirti Ganorkar:** You're talking of when NPPA will come with the new policy. We are not aware of that.

**Prakash Agarwal:** I guess it's long overdue. So that's why I was asking. Okay, no problem. Thank you.

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

**Alok Dalal:** Dilipbhai, when do you expect Ilumya approval in China and the African market?

**Dilip S. Shanghvi:** I think we've shared with you the date on which we have filed the Chinese product because it needed to do some clinical studies and all of that. But, it's difficult to predict. There is a certain amount of process that we need to follow. Hopefully, we should be able to close all these issues in 12-months. But I'm not predicting that we will launch the product in that time because regulatory issues, difficult to predict till we get the approval.

**Alok Dalal:** On the African market?

**Dilip S. Shanghvi:** Which African market? We have not said anything about any African market.

**Alok Dalal:** I thought there is the partnership with Hikma.

**Dilip S. Shanghvi:** That's mainly for GCC countries.

**Alok Dalal:** Also, on the specialty side, do you think that pipeline products are large enough now to help sustain the base? The question that I'm trying to ask is that the specialty business has become pretty large and as years pass, some products will reach the maturity stage. So, do you think the pipeline is good enough for you to continue that momentum going or in-licensing becomes a big part of that?

**Dilip S. Shanghvi:** So I think we've always said that filing our own new product, at the same time looking at opportunities inorganic, both licensing as well as acquisition is something which will continue to help us expand our specialty business.

**Alok Dalal:** Because since the base has become very big, you will also need products that are large enough for you to sustain and grow on that base?

**Dilip S. Shanghvi:** That's a reasonable expectation.

**Moderator:** The next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

**Saion Mukherjee:** I just have one question for Abhay on Ilumya. Abhay, you mentioned I think a few calls back, COVID sort of had a negative impact. Now, we are seeing the traction coming through, the product has been in the market for some time, there is enough data, formulary access, etc., has improved. So how are you thinking about growth for Ilumya in the US, will there be a spurt in growth in the sense that we will see an acceleration or it would be a gradual steady rise in market share?

**Abhay Gandhi:** It's more an expectation of how Ilumya will grow, is part of our total guidance. So I think I have nothing specific to add on the product question.

**Saion Mukherjee:** I was not asking for this year's guidance, like more from a two, three perspective?

**Abhay Gandhi:** So any product in chronic segment doesn't really see its burst as such. So therefore, I wouldn't want to classify and give you any kind of an answer, which even suggest that. I think it's what you do each and every day with each and every doctor and the prescriptions, because it gradually builds upon the product base. I think that's the nature and that's the beauty of the chronic segment, and we understand that pretty well.

**Moderator:** As there are no further questions, I will now hand the conference over to Mr. Nimish Desai for closing comments.

**Nimish Desai:** Thank you, everybody, for taking time out and joining our call. If any of your questions have remained unanswered, do send them across, we will have them answered. Thank you and have a good day.

**Moderator:** On behalf of Sun Pharma, that concludes this conference. Thank you for joining us. You may now disconnect your lines.