



Corporate Participants

Dilip Shanghvi

Managing Director, Sun Pharmaceutical Industries Ltd.

Sudhir Valia

Whole time Director, Sun Pharmaceutical Industries Ltd.

Abhay Gandhi

CEO –India Business, Sun Pharmaceutical Industries Ltd.



Moderator: Ladies and Gentlemen Good Day and Welcome to Sun Pharmaceuticals Q3 FY14 Results Conference Call. As a reminder for the duration of this conference all participant 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 this conference please signal an operator by pressing '**' and 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 3rd Quarter FY14 Earnings Call. I am Nimish from the Sun Pharma Investor Relations team. We hope you received the Q3 financial and the press release that was sent out today. These are also available on our website. We have with us this evening, Mr. Dilip Shanghvi – Managing Director, Mr. Sudhir Valia – Whole Time Director and Mr. Abhay Gandhi – CEO of India Business. Today, they 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 the consolidated financials.

Just as a reminder, this call is being recorded and a replay will be available for the next few days. The call transcript will also be put up on our website shortly. The discussion today might include certain forward-looking statements and this might be viewed in conjunction with the risk that our business faces. You are requested to ask two questions in the initial round. If you have any more questions you are requested 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 hand over the call to Mr. Shanghvi. Over to you sir.

Dilip Shanghvi: Welcome and thank you joining us for this earnings call after the announcement of financial results for the 3rd quarter of FY14. Let me briefly update you on significant events during the quarter. Sun has become the sole supplier of generic Doxil to the US market given the manufacturing issues faced by the innovator. We have sufficient capacity to address the demand for our product. At the same time, let me highlight that there can be implications with the innovator not promoting this product. A come-back by the innovator is not ruled out. Also, there may be other generic companies which are targeting this opportunity. In Dec-2013, Sun Pharma's subsidiary received final approval for Duloxetine Delayed-Release Capsules along with a few other generic players. We continued to enjoy the benefits of favourable pricing for certain generic products in the US. As indicated earlier, these benefits may not be long-lasting. I will now hand over to Mr. Valia for the discussion of the Q3 performance.



Sudhir Valia: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q3 financials are already with you. Before we discuss the financials, let me highlight that the US dollar was at a higher rate as compared to last year. The resulting growth in rupee-reported sales and profit on account of that may not be sustainable. As usual, we will look at key consolidated financials.

Q3 net sales are at Rs.4287 crores an increase of 50% over last year. Material cost as a percentage of the net sales is 18.3%, lower than Q3 last year. Staff costs as a percentage of the net sales were at 12%, lower than Q3 last year. Other expenditure as a percentage of net sales is at 23.6%, higher than Q3 last year.

As a result of the above, the EBITDA recorded in Q3 is Rs.1975 crores as compared to Rs.1261 crores for Q3 last year, a growth of about 57%. EBITDA margins were at 46% for Q3 compared to 44% for Q3 last year. Net profit for Q3 was Rs. 1531 crores registering a growth of 74% over net profit of Rs 881 crores for Q3 of last year. On post-bonus basis, EPS is Rs.7.4, compared to EPS of Rs.4.3 that we had earned for Q3 last year.

Now, we will discuss the nine months performance. Net sales were at Rs.11961 crores an increase of 46% over nine month last year. Adjusted for the impact of lower India sales in Q1FY13, the net sales for nine month FY14 have grown by approximately 43% over nine month last year. Material cost, as a percentage of the net sales is 18% which is lower as compared to nine month last year primarily on account of better product-mix. The staff costs for the nine month is at 13% of the net sales which is in-line with that of nine month last year. Other expenditure was at 25% of the net sales, higher than that of the nine month last year.

As a result of the above the EBITDA for the nine month is at Rs. 5334 crores a growth of 46% over the nine month last year. EBITDA margins were at 45% for nine month compared to 45% for nine month last year. Recurring net profit is Rs. 4134 crores, a growth of 54% over that recorded in the nine month of last year. The net profit after provision for generic Protonix is Rs. 1617 crore compared to Rs.1996 crores for nine month last year. On a post-bonus basis, adjusted EPS is Rs.20, up from Rs.13 for the nine month last year.

Taro recently posted Q3 FY14 sales of US\$ 213 million, up 15% from the corresponding quarter last year. For the 9 months, sales were US\$ 572 million, up by 13% over 9 months last year. Taro's net



Profit for Q3 was US\$ 115 million, up by 30% over Q3 last year. Net profit for 9 months FY14 was at US\$ 270 million, up by 25% over 9 months last year. I will now hand over to Abhay Gandhi, who will share the performance of our Indian business.

Abhay Gandhi: Thank you Mr. Valia and good evening everybody. I will take you through our India formulation business.

Sales for Q3 were at Rs. 947 crores recording a growth of 20% over Q3 of last year. Sales for nine month FY14 were at Rs. 2745 crores, up 26% over nine month of last year. Adjusted for the impact of lower India sales in Q1FY13, the net sales for nine month FY14 have grown by approximately 16% over nine month last year.

As per Dec-2013 AIOCD-AWACS report, Sun Pharma is ranked 2nd and holds 5.3% market share in the Rs.74000 crores pharmaceutical market. The company continues to be ranked no. 1 based on share of prescriptions with 7 classes of specialists: psychiatrists, neurologists, cardiologists, ophthalmologists, orthopedicians, nephrologists and gastroenterologists.

Given the implementation of the new pricing policy, this is a year of transition for the Indian pharmaceutical market. However, the long-term macro growth drivers for the industry remain intact. We continue to find the Indian market as interesting and as competitive as ever. In this intensely competitive market, with new entrants coming into the market almost every quarter, we continue to look for innovative ways to differentiate our product portfolio, build customer trust and add prescription share. With this I will hand over to Mr. Shanghvi.

Dilip Shanghvi: Thank you Abhay. I will briefly touch upon the performance of our businesses across other segments as well as our overall performance in the US.

For Q3, our overall sales in the US were at US\$ 434 million, which is higher by almost 57%. This quarter includes revenue contribution from URL which was not part of the company in Q3 last year. To that extent the numbers are not strictly comparable on year-on-year basis.

Formulation sales in the rest of the world market accounted for US\$ 84 million in Q3 registering a growth of 16% in dollar terms over Q3 last year. The API business has strategic importance for vertical integration on key products. External sales of API reached Rs. 174 crores in Q3FY14, a decrease of



17% over Q3 last year. For 9 months FY14, API sales declined 1% to Rs. 579 crores over 9 months last year. This decline is mainly due to increased captive consumption of APIs. R&D expenditure for Q3 was Rs.305 crores at 7% of sales. For nine month, R&D spend was Rs 733 crores at 6.1% of sales. This R&D spending enables development of future product pipeline including differentiated products. Our R&D spend was up 62% year-on-year for Q3.

In Q3, ANDAs for 5 products were filed, while we received 4 approvals from the US FDA. We now have 337 ANDAs approved for a total of 468 products filed with US FDA, and ANDAs for 131 products await approval. On a consolidated basis, we now have 534 patent filings with 342 granted patents.

Considering the performance recorded for nine months FY14, we are upgrading our overall sales growth guidance for FY14. We expect our FY14 consolidated revenues to grow at 29% compared to our previous guidance of 25% growth. Our guidance is at constant exchange rate. The revised guidance takes in to account the performance achieved in nine month FY14 and the higher base of Q4 last year due to consolidation of acquisitions. It also budgets for the risks associated with increase in competition for some products.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Balaji Prasad from Barclays. Please go ahead.

Balaji Prasad: Firstly, with regard to your US subsidiaries, can you help us understand the performance of Taro and URL? With Taro, specifically, if you can give color on the Derma market landscape and what is happening despite the entry of generic competitors into two of your top 3 products and a loss of market share, the revenue growth is still being very strong?

Dilip Shanghvi: We cannot share any information beyond what Taro has shared in their disclosures. What Taro has disclosed is that overall volumes have not grown for the quarter, but there is an overall significant increase in the top line.

Balaji Prasad: Do we understand that then despite competition coming in, that pricing is still strong, is still holding on?

Dilip Shanghvi: I would not know that whether price is holding on or whether there is pricing of other products. We do not have a response on this.



Balaji Prasad: Secondly, on the Indian market, it continues to do very well. Is there any reason for this performance apart from the fact that most of your products are from chronic portfolio and also that your minimal quantum of products being impacted, anything else driving this growth?

Abhay Gandhi: Other than the two things which you have rightly mentioned I think we have always maintained that price decrease is only a short term phenomena and despite that little bit of a pressure that we have felt, we never lost focus on the market, we continue to focus on the market, continue to do what we are good at, and that should yield results going ahead also.

Balaji Prasad: Abhay, do you have any update on the margin discussion with the trade partners as to what stage is it in currently?

Abhay Gandhi: Our position has remained unchanged.

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

Prakash Agarwal: The question is on the US business, excluding Taro. So if we do that and look at sequentially, the net delta has been around US\$10 million plus, and you did say about generic Cymbalta doing good for you. So, just wanted to try and understand the generic Doxil scenario here where we are the sole player and you mentioned that innovator has not been promoting the product. So what does that mean? Whether generic Doxil sales have been flat QoQ or how should we understand this, or we have seen the run rate improving, a little color would help?

Dilip Shanghvi: We do not break down sales into products. So what you would see is a consolidated overall number for the company in terms of all the products put together. We have been the only company selling generic Doxil now for a significant period of time. So I do not think that quarter-on-quarter there would have been a dramatic change.

Prakash Agarwal: But would you not be expecting actually a gain in the momentum given that for this quarter, you were the sole supplier?

Dilip Shanghvi: I do not think you can look at it that way because there is a certain amount of pipeline that will be there with wholesalers and with distributors of Oncology products.



Prakash Agarwal: And second question is on your 505(b)(2) initiatives that you are doing, especially Decitabine. So, what is the strategy here in terms of getting market share because I assume these are non-substitutable, what kind of expectations do we have in this product and are we going to be serious players for other products that we plan to launch?

Dilip Shanghvi: We want to be serious player for every product we launch, sometimes we succeed, and sometimes we do not.

Prakash Agarwal: No, no, given the fact that these are non-generic substitutable, so what is the strategy here?

Dilip Shanghvi: Strategy is to find a way to sell.

Prakash Agarwal: But any expectations you have in terms of what kind of market share you could gain?

Dilip Shanghvi: We do not guide for product-by-product sales.

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

Anubhav Aggarwal: Your constant currency guidance of 29%, if I again just see what you have performed in the nine months and take out the fourth quarter number, on the constant currency, my calculation says that you are implying only about mid-teens growth in constant currency for Q4. What I am simply asking is, is this what you see your business growing in future or Q4 is more an exception?

Dilip Shanghvi: I think this is the guidance for the year, you should not see anything for next year. Q4 is not an exception. You have to keep in mind that for products like Repaglinide which was there in earlier quarter now has generic competition. There would be potential price erosion in a few of the products that we are handling. So there is a certain amount of uncertainty related to this that everybody needs to factor in.

Anubhav Aggarwal: Absolutely, my second question was that only. On Repaglinide, just clarity, on the six months exclusivity, let us say the sales booked between September quarter and December quarter



would be even or would you have booked higher sales in the September quarter versus December quarter?

Dilip Shanghvi: We do not give product-by-product sales numbers.

Anubhav Aggarwal: Just clarity on the other product details like Diltiazem. Actavis entered in November in that quarter. Has there been any significant price erosion there because that is a very important product for you?

Dilip Shanghvi: It seems you know more about our product than I do. I honestly do not know. We continue to have a meaningful market share.

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

Girish Bakhru: Just again, on the US business ex-Taro. Can you confirm if you have launched testosterone injection in the market?

Dilip Shanghvi: Yes, we have launched the product.

Girish Bakhru: Because I just thought that it is a very interesting opportunity and the market is pretty narrow between few players, but still the delta in the terms of sales is not yet visible. So is it like a low-traction product or do you see that opportunity is not interesting?

Dilip Shanghvi: It is a good product. Only thing is that sometimes for injectable products there is a difference between the actual sales and the IMS sales numbers.

Girish Bakhru: And second question was on generic Temodar, if my math is correct, you should have got the final approval by now. Any comment on that and how attractive do you think this opportunity is in terms of number of players that could come in the market?

Dilip Shanghvi: We have received the approval. I do not know too much about the potential competition. It is difficult to respond because if people would have Para-III filings then it becomes difficult to understand how many people will get final approvals but there were not many tentative approvals.



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

Sameer Baisiwala: If I look at your guidance of 29% at constant currency basis, the fourth quarter in absolute sense works out to roughly about Rs.45 billion in sales. Does the math looks okay, is this number that you were suggesting through your guidance?

Dilip Shanghvi: We gave guidance in constant currency. We do not understand what will be the currency rate for the rest of the 3-months.

Sameer Baisiwala: The second question is on the DUSA part of the business, the Levulan, you purchased this towards the end of 2012 and at that time, the BLU-U device installed was 3,100 and the company was doing roughly 240-250 devices per annum. So, it has been more than a year. So how has been the progress and have you been able to accelerate both higher devices and higher usage per device?

Dilip Shanghvi: Clearly, there is an improvement but not as much as we wanted it to be. But we continue to find a way to grow the business.

Sameer Baisiwala: So, what are the challenges for this product for you to really accelerate this?

Dilip Shanghvi: I think it is a complicated product, it is not a simple issue. Also, we have to understand that financially for a doctor it is much more attractive to do cryotherapy. So to convince him to use this product over cryotherapy is a big challenge.

Moderator: Thank you. The next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Sir, on our R&D spend, it seems to have increased, not only for Taro, but even for the ex-Taro business. How should we look at R&D? And what is the key focus area for us in R&D?

Dilip Shanghvi: The focus continues to be the same as what it was in the past, and we will be within our overall guidance of R&D spending for the year.

Neha Manpuria: And how much would that be, sir, after the increase in the quarter?



Dilip Shanghvi: 6% to 8% of sales are our guidance.

Neha Manpuria: And sir, my second question is on the supply chain consolidation in the US, what is your view on the potential impact that generic players like ourselves could see from this?

Dilip Shanghvi: Consolidation in terms of?

Neha Manpuria: The channel consolidation among the retailers and the wholesalers in the US.

Dilip Shanghvi: It is clearly increasingly difficult to find a way to negotiate effectively. So there would be increase in pressure on manufacturers.

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

Bino Pathiparampil: Can I get an update on Caraco, how are the remediation measures? How many products so far cleared? And what is the outlook for next year?

Dilip Shanghvi: Caraco is in compliance and there are no observations.

Bino Pathiparampil: So, does that mean that all the products that it used to manufacture can be manufactured as of now legally?

Dilip Shanghvi: There are certain conditions that we have as a part of the Consent Decree. So once we follow that process then we can reintroduce all the approved products.

Bino Pathiparampil: And then that will be implementing those conditions and the Consent Decree that like towards the fag end or is it going to take another 12 to 18 months?

Dilip Shanghvi: There will be a gradual introduction of products.

Bino Pathiparampil: And a second question on URL. We had some good price increases in select products after your purchase of that portfolio. Are they back to a normalized pricing level or do you still enjoy some of those pricing upsides benefits?



Dilip Shanghvi: Pricing is always dynamic. Competition determines the price in the market. So it is difficult to give an answer because there are many products, there would be price cut in some, there would be status quo in some.

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

Rahul Sharma: Just wanted to understand, basically, even as a percentage of revenues, your other expenses have come off by 100 bps, and your staff expenses are also down. Any particular reason for the same, sir?

Sudhir Valia: Staff costs as a percentage of the net sales were at 12%. Other expenditure as a percentage of net sales is at 23.6%, higher than Q3 last year. Other expenditure has increased due to consolidation of acquired companies and royalty payments.

Rahul Sharma: Another thing was on the minority interest, it has actually gone up, just wanted some clarity on that.

Sudhir Valia: Basically this is because of Taro minority shareholders.

Rahul Sharma: No other adjustment?

Sudhir Valia: No.

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

Nimish Mehta: Can you tell us, what is the outlook on the pipeline of Taro, how many products do you expect to be launched over a period of time, maybe 12 months or 24 months, any color on that will be very helpful?

Dilip Shanghvi: We cannot give information beyond what Taro has shared. What Taro had shared with the investors in the past is that they do not have a deep pipeline.

Nimish Mehta: Do we expect, let us say, three, four launches, some color would be very helpful, sir?



Dilip Shanghvi: I understand, but I think it is difficult for me to help you.

Nimish Mehta: Secondly, on Levulan PDT, do we have the Phase-III data on upper extremities now? And if yes, how is the data and what do you expect for the product?

Dilip Shanghvi: The trial is ongoing.

Nimish Mehta: When do we expect that data?

Dilip Shanghvi: We do not have a timeline, but I think idea for us, as we shared with investors when we bought DUSA, is to find a way to increase the usage of the product across treatments and increase the overall share of Levulan in the actinic keratoses market.

Nimish Mehta: And this is one of the strategies, right?

Dilip Shanghvi: It could be one of the strategies.

Nimish Mehta: Have we taken any price increase there in Levulan PDT, let us say in the last nine months?

Dilip Shanghvi: There would be a normal price increase.

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

Ranjit Kapadia: It is regarding differentiated products. We have mentioned that we are developing differentiated products in the specialty business. Just wanted to have some idea, next year, how many products are planned to be launched?

Dilip Shanghvi: It is difficult for us to give a number, because we do not control the regulatory process. But our focus is on filing and getting approval for such difficult products.

Ranjit Kapadia: How many products are there in the pipeline, is it possible to give the number?

Dilip Shanghvi: We do not share that number.



Ranjit Kapadia: Sir, can you give the tax rate for this year and next year?

Dilip Shanghvi: For this year, we have given guidance.

Sudhir Valia: Around 15%.

Ranjit Kapadia: And for next year?

Dilip Shanghvi: We will give along with next year guidance.

Moderator: Thank you. The next question is from the line of Manoj Garg from DSP Merrill Lynch, please go ahead.

Manoj Garg: Sir, just want to understand, post-Taro's buyback, how is our overall shareholding now in the Taro Pharma?

Sudhir Valia: It has gone proportionately up.

Manoj Garg: Because we have not seen the corresponding impact in the minority interest like...

Uday Baldota: Our holding has gone up to almost 69%, but the key issue here is that the Taro buyback ended at the end of December, so to that extent none of the change in the shareholding has had any material impact on the minority interest calculation for the quarter. If change happens, it will happen for the Q4.

Manoj Garg: One question on the US side, the IMS data does indicate that the generic Doxil pick up in the quarter of almost around 2x versus the sequential Q2, which we have seen between July to September quarter. And you also indicated that we did even have generic Cymbalta launch, but we are not seeing the similar kind of improvement in the sequential sales. So, if you can give some clarity on that, sir?

Dilip Shanghvi: I think to relate company sales with IMS number is a fallacy, because if we sell this quarter sometimes our customers may sell next quarter. So it is not possible to have a direct correlation. And you have to understand that these are products which were in shortage for a long time. So when it becomes available customers may stop for a period.



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

Surya Patra: In fact, one clarification. Whether we have the sole exclusivity for drug Imatinib Mesylate, i.e., generic Gleevec?

Dilip Shanghvi: We do not give details about Para-IV filings and exclusivity.

Surya Patra: What was the capex that you have done so far? And what is likely in the subsequent period, any sense on that?

Dilip Shanghvi: We have given guidance about capex, we may be slightly more than the guidance. For next year, we will give the capex number with our next year guidance.

Surya Patra: Regarding Doxycycline, are you seeing any sort of a correction in the prices in the US market because of the competition or fresh supply by one or two players?

Dilip Shanghvi: There would be. As I explained in an earlier question also, is that pricing is ultimately influenced by competition in the market. So if there are new competitors, it could have an impact on price.

Surya Patra: In fact, why I asked this question is that the ex-Taro margins have to some extent softened over last 3 quarters period sequentially. So despite the fact, we have got exclusivity for Prandin and Cymbalta launch, and the sole supply opportunity for the Doxil. So that means we are seeing some sort of price correction for some of the basket products?

Dilip Shanghvi: There would be. That is why we do not give very detailed product-by-product breakup because we have to look at the business as a basket.

Moderator: Thank you. The next question is from the line of Anubhav Agarwal from Credit Suisse, please go ahead.

Anubhav Aggarwal: A question on URL. After a year of acquisition, at least IMS does not show any improvement in overall volumes or sales ex-Doxycycline for URL. Just wanted to check that what activities you have implemented post one year of your purchase there. I know there were several



products, some 505(b)(2) also URL was working on, but just on the launch products, have you been able to relaunch some of the products, because I remember your comment, you mentioned that it takes about six to nine months to launch products, but somehow, I do not see that any significant product have been launched from URL after you have taken over?

Dilip Shanghvi: Most of the products that URL had discontinued had many competitors, there would be a lead time between product introduction and our ability to get market share for it to get reflected in IMS.

Anubhav Aggarwal: Sorry, I have not understood this comment. So have you relaunched some of the products? And you are saying that IMS will reflect them in some time?

Dilip Shanghvi: We have launched some products and hopefully going forward some of that will get reflected.

Anubhav Aggarwal: Abhay, just a question for you on Pioglitazone impact, now, the impact was somewhere about July-August, now, situation being normalized, is that a big impact to us overall since it was a very important part of diabetes franchise? The channel participant discusses that Pioglitazone doctors are not prescribing as much as they used to. The market would have shifted to other molecules. Has it been a net-net loss for us given the market share shift to other molecules and what we have gained on ex-Pioglitazone and what you lost on Pioglitazone?

Abhay Gandhi: You are right, customer preference after all that controversy has clearly changed. To that extent there is a de-growth in the molecule that we see, but like I said in the last call also, we have a diverse basket of products. So we are able to make up for those losses with increase sale of our other products. When you see our segment our market share has actually gone up.

Anubhav Aggarwal: What is your gross debt right now?

Uday Baldota: I think that would be approximately about Rs.2,500 crores.

Anubhav Aggarwal: How much of this will be in USD? Almost everything?

Sudhir Valia: Almost everything.



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

Manish Jain: Just wanted to know in terms of Doxil, is it possible to outsource a sales team till competitor comes in?

Dilip Shanghvi: It is possible, but we have to evaluate what it that we will promote is.

Manish Jain: Given that it is primarily sold in hospitals and very limited doctors who actually are the key opinion makers there?

Dilip Shanghvi: We are evaluating cost benefit and justification of doing any marketing.

Manish Jain: Given that Doxil has now become the reference listed drug, would you have to pay any higher royalty to SPARC?

Dilip Shanghvi: The RLD status for our generic does not have any impact.

Manish Jain: Because SPARC's income has nearly doubled compared to September quarter. That was the reason for the question.

Dilip Shanghvi: SPARC does not necessarily get royalty only from one product. There is no change in the royalty rate.

Manish Jain: And just one request is SPARC, you did an update in March last year, so it is nearly a year. Would request if you can do an update on SPARC as well.

Nimish Desai: There is a plan for an update. We will let you know the date.

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

Bino Pathiparampil: A question on your emerging market business, do you bill your distributors in other emerging markets in USD or the local currency?

Dilip Shanghvi: Generally in USD.



Bino Pathiparampil: So which means the depreciation of emerging markets in relation to USD should benefit that business as well or do you generally pass on the price difference?

Dilip Shanghvi: I think it will be different in different countries. Sometimes, if you have significant price erosion in that currency, you will have to look at competitiveness in the marketplace, in which case even though you bill in dollars, you may have to do price adjustment.

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

Prakash Agarwal: Just wanted to know the cash in the books with respect to Sun Pharma?

Uday Baldota: At the consolidated entity level, cash is approximately Rs.10,000 crores.

Prakash Agarwal: This is largely parked in US dollars or it is across currencies?

Uday Baldota: A substantial part would be US dollars.

Prakash Agarwal: And given the fact we do have decent cash sitting in our books, and you in the past have stated that we are looking for acquisitions. So I am sure we are looking at more value-accretive acquisitions, which we have done in the past. So typically, again, wanted to ask that what are the key focus areas in terms of acquisitions?

Dilip Shanghvi: Ultimately, it has to be of strategic importance and help us grow the business profitably.

Prakash Agarwal: But particular markets you can reiterate or particular therapies you are looking at because I see a buildup on your Oncology portfolio?

Dilip Shanghvi: It has to be of strategic long-term interest. We will not go into very detailed specifics.

Prakash Agarwal: Japan would be one of your focus markets to enter, would that be correct assessment?

Dilip Shanghvi: We would like to find a way to enter, we have not yet found.



Prakash Agarwal: And second question on the tax rate, just a reconfirmation that you did reiterate your 15% tax rate; looking at nine months, it is 12.5%. So we do expect a higher tax rate for the fourth quarter?

Dilip Shanghvi: Yes, likely to be.

Moderator: Thank you. The next question is from the line of Parin Gala from Gandhi Securities. Please go ahead.

Parin Gala: Sir, my question is regarding generic Doxil. Are you planning to file for EU approval? If yes, then when do we expect that?

Dilip Shanghvi: Actually we do not give country-by-country or product filing plan.

Parin Gala: And sir, second question is, when is the earliest you think that either Johnson & Johnson or any other competitor like Teva can come into this product?

Dilip Shanghvi: Your guess is as good as mine, because we also depend on public information to estimate.

Parin Gala: Now that we are the sole suppliers of generic Doxil, when was the last that J&J was present in the market -- October or December month, if you can tell me?

Dilip Shanghvi: We would not exactly know. They would have left inventory with the customers, I do not know how long that would have lasted.

Moderator: Thank you. The next question is from the line of Meeta Shetty from HDFC Securities. Please go ahead.

Meeta Shetty: On generic Doxil, the exclusivity for multiple myeloma indication will be going off-patent in May-14. So how significant or how material that market will be for us?

Dilip Shanghvi: That is a relatively small indication. Also, I think if you see the many new treatments which have come for multiple myeloma.



Meeta Shetty: Second thing on the tax rate again. So, if I adjust for Taro's tax rate, the tax rate for the remaining business comes just about 2% or so. So, just wanted to understand, so are there some accrued losses, any color on that?

Sudhir Valia: We do not segregate taxes. In total this is the guidance which we have given.

Meeta Shetty: Yeah, but it is very low. So, just if you can make me understand as to...

Sudhir Valia: There were some losses as we have paid out settlement to Pfizer.

Meeta Shetty: So does that mean that next year tax rate might go up?

Sudhir Valia: It may go up.

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

Balaji Prasad: My question is with regards to the USFDA Commissioner's visit to India recently and meeting with various stakeholders. Did you meet them? And, what do you think would be a tangible outcome of the discussions for the near-term?

Dilip Shanghvi: The Commissioner met with all the stakeholders, and as a part of the stakeholders she also met with industry. These were closed door discussions and hence confidential. So, I do not think I can share any information with you.

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

Nimish Mehta: Once again on Taro, is it possible for you to disclose how many products you would have launched for the first nine months, and what are the pending approvals as of now?

Dilip Shanghvi: We cannot tell you anything more than what Taro has already shared, but Taro has shared is that their overall numbers of units sold in the quarter were less than earlier. So that would also include the impact of new products.



Nimish Mehta: And secondly, can you please explain the rationale of launching generic Dacogen on the 505(b)(2) when it was already available as a generic product by other generic companies?

Dilip Shanghvi: We will not be able to disclose any further information on this.

Nimish Mehta: In other words, is it fair to say now that the generics are there, the opportunity may be very limited?

Dilip Shanghvi: Yes, that is true.

Moderator: Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Have you raised prices of generic Doxil recently, sir?

Dilip Shanghvi: We are a generic; we cannot influence the pricing beyond the price of the innovator.

Ketan Gandhi: Coming back to your answer to one question that regarding SPARC's PICN, but what is the accounting policy, because PICN approval came through in late January?

Dilip Shanghvi: That is correct. What I wanted to say was that there would be many other things for which SPARC would be getting royalty. So PICN was an example. But your point that it is in this quarter is correct.

Ketan Gandhi: So you mean to say, other than PICN?

Dilip Shanghvi: Correct.

Moderator: Thank you. As there are no further questions, I hand the floor back to Mr. Nimish Desai for closing comments. Over to you.

Nimish Desai: Yes, thank you very much this evening for joining this call. If any of your questions have remained unanswered, we request them to send them over to us. Thank you.

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