



Corporate Participants

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Moderator: Ladies and gentlemen, good morning, good evening and welcome to the Sun Pharmaceuticals Q4 FY2009 results conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Uday Baldota of Sun Pharmaceuticals. Thank you, and over to you, sir.

Uday Baldota: Thank you Melissa. Good morning and a warm welcome to our 2008-2009 4th Quarter and Annual Earnings call. I am Uday from Sun Pharma Investor Relations Team. Today our hosts are Mr. Dilip Shanghvi, Chairman and Managing Director and Mr. Sudhir Valia, Whole Time Director and they will discuss the performance highlights and share developments on strategies. Apologies for this early call due to a scheduling conflict. We hope you have received our 4th Quarter financials and press release sent out on Saturday and these are now available on our website also. For ease of discussion, we will look at the consolidated numbers. Just as a reminder, this call is being recorded and the replay of the call will be available till June 8th, 2009. The call transcript will also be put up on our website soon. It will be appropriate for me to mention that the discussion today may include certain forward looking statements and this must be viewed in conjunction with the risk that our business faces. Also I would like to request all of you to kindly send in queries that remain unanswered during today's earnings call to, uday.baldoda@sunpharma.com or mira.desai@sunpharma.com. I now hand over the call to Mr. Dilip Shanghvi.

Dilip Shanghvi: Welcome and thank you for joining us today for the earnings call after announcement of the financial results for the 4th Quarter and full year of 2008-2009. It has been a year of challenges and unresolved issues. First about the issue of Caraco's warning letter from the US FDA, that has been followed-up by some product recalls recently. FDA at the end of its inspection in May 2009 has listed its observations in Form 483 to which Caraco will respond soon. Not a happy state of affairs, but one that we are working with Caraco to correct.

The Taro deal continues, requiring an extension of the tender offer we have made for the purchase of shares. As you probably know, after our attempts to reach a settlement with all the concerned parties through mediation failed we are now awaiting a verdict from the Supreme Court of Israel. As all of us are aware, publication of financial statements for 2006 and 2007 by Taro has been delayed for some



two years, which is in complete breach of the Israeli Company Law. On May 14th, 2009, we commenced litigation in Tel Aviv District Court, requesting the court to order Taro and its Directors to publish Taro's financial statements. We observe that soon after this, Taro made public announcements relating to likely completion of its audit as well as timing of its regulatory filing, including dramatic restatements of past financials. As in the past, we will keep you posted about all material developments on this front. Now as usual, Mr. Valia will first talk about performance and financial highlights and later I will come back to talk about strategy and direction. I will now hand over the call to Mr. Valia.

Sudhir Valia: Thank you Mr. Shanghvi. Good morning everybody. Our 4th Quarter and full financial year results are already with you. Though it has been reasonably good year, it could certainly have been better. While comparing financials across two years, it would be appropriate to keep in mind there are several non-recurring elements included therein. Generic pantoprazole, launched at risk in end January 2008 during the 180-day exclusivity period, caused a significant one time jump in last year's sales and profit. Each of the four quarters this year has witnessed a moderation in the pantoprazole sales compared to that achieved in Q4 last year.

This year there is component of non-recurring domestic sales, evident in Q4 numbers. As we have already highlighted, such non-recurring sales have an impact on profitability ratios as well as the growth numbers. While most of these non-recurring opportunities do bring significant cash into the company, which can be gainfully deployed for further growth of the business, in our view these should not materially alter the fundamental worth of our company, near term or even otherwise.

First, we shall look at the consolidated financials for the 4th Quarter and then for the full year.

4th Quarter net sales are at Rs. 11.3 billion, a decrease of 10% over Q4 last year, largely on account of lower sales in US compared to the high base last year. As a result, EBITDA at Rs. 3.7 billion during the Quarter 4 is 49% lower than the Quarter 4 last year, EBITDA margin at 33% is lower than 59% achieved in Q4 last year. Net profit after minority interest for Q4 is down 45% at Rs. 3.9 billion from Rs. 7.2 billion. Net margin for Q4 is 35% lower than 58% achieved in Q4 last year.

Material cost as percentage of the net sales is up to 19% from 14% in Q4 last year. Staff cost for the quarter is at 11% of the net sales, up from 6% in Q4 last year. Other expenditure is 37% of the net sales compared to 21% for the quarter of last year. On fully diluted basis, EPS of Q4 is Rs. 19 down from Rs. 35 for Q4 last year.



For the year, net sales is Rs. 42.7 billion, an increase of 27% over last year. EBITDA for the year is Rs. 18.6 billion, an increase of 20% over last year. Yearly EBITDA margin is 44%, lower than 46% achieved last year. Net profit after minority interest is Rs. 18.2 billion, an increase of 22% over last year. Net margin is 43%, lower than 44% achieved previous year.

Material cost is lower at 20% of the net sales compared to 22% for the last year. Staff cost for the year is 10% of the net sales, higher compared to the last year. Other expenditure is 26% of the net sales compared to 23% for the last year.

At the end of the year, inventory increased to Rs. 9.8 billion, equivalent to 22% of annual sales, a level similar to last year. Receivables at the end of the year fell sharply to Rs.8.8 billion, equivalent to 20% of the annual sales, significantly lower than the level last year. Cash, and bank and investments now added up Rs. 35 billion at the end of this year compared to Rs. 20 billion at the end of March 2008.

Now, we shall look at each of the business segments.

We continue to add market share with key specialists. Domestic formulation, the largest component of our business continues to grow and add profit. Sales at Rs. 6.5 billion have grown 81% in Quarter 4 this year, over Quarter 4 last year. Excluding non-recurring element in the sales, growth has been 25%. For the year, growth has been 33%.

Our five main therapy areas, cardiology, psychiatry, neurology, gastroenterology, and diabetology, account for over 70% of our domestic formulation sales. Forty two products have been brought to the market in India across 18 marketing divisions. Pantocid group, Aztor group, Strocit, and Gemer continue to grow at the double digit growth rate in extremely competitive markets.

Caraco recently announced its annual and Q4 numbers. Caraco reported Q4 sales of US\$ 51 million, down 67%. Gross margin was 12% as against 14% for Q4 of last year. Net loss was \$2 million for the Quarter 4 compared to the net profit of \$11 million in Q4 last year.

International formulation exports, that include some sales in Europe, have grown by over 89% for the Quarter 4 and 71% for the year. In branded generic markets, we expect a steady increase in our sales, as we continue with product promotion and prescription-based pull.



This year we scaled up 31 API. The tally of regulated market approved API is 71 of 129 filings made for DMF and CEP. Despite large part of API capacity being used for internal consumption, our API sales have grown 64% for the Quarter 4 and 41% for the year.

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

Dilip Shanghvi: Thank you Mr. Valia. As expected, the US market continues to be pro-generic, with an ever-vigilant US FDA stepping up its act with greater and more intensive inspections and reviews of all sites.

Caraco recently reported annual numbers, which are already with you. Across Sun and Caraco, ANDAs were filed for 9 products during this quarter and 37 products cumulatively for the year, taking the total cumulative filings to 179. In all now ANDAs for 108 products await approval including 7 tentative approvals.

R&D expense for the year increased from Rs. 2.9 billion last year to Rs. 3.3 billion this year. Based on the work of 500 plus strong scientists team, we have built a patent library of 233 patents filed, of which 76 fixed patents have been approved.

As you would have seen, our base business has been reasonably consistent for the year despite the challenges mentioned earlier. It has been largely business as usual for most part of our business.

Last quarter we had revised our overall sales guidance for 2009 to 18% to 20% for the year. We have reached this number even if you exclude the impact of non-recurring sales.

The financials for 2009 contain a component of one-time costs largely in form of either inventory write-off or recall cost. Exchange fluctuations especially in the second half of the year have also added significant one-time cost flowing from inventory accounting. On the other hand, one time revenues, either in the US on account of products that enjoy limited competition or in India, do not fully compensate for this increased cost. This is particularly visible in Quarter 4. Though the outlook on several things including exchange rates remains a bit hazy we expect that our recurring business will continue to deliver a better performance.

Now for the guidance for 2009-10. Despite all the uncertainties in the environment in FY 10, we expect our sales to grow by 13%-15% over FY09, at constant exchange rates. We estimate generic R&D



spends at 7% -8% of sales. We intend to file ANDAs for 30 products across sites, we estimate a capex of Rs. 1.7 billion.

Even after accounting for estimated investments in gaining control of Taro, we believe we will be left with enough to fund a decent size acquisition if need be, without recourse to any outside financing. We remain a zero debt company. With this I would like to leave this floor open for questions. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, we would now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. The first question is from the line of Nimesh Mehta of MP Advisors. Please go ahead.

Nimesh Mehta: I have a few questions. First of all I would like to understand the guidance that you had given of 13% -15%, how much would it be excluding non-recurring income or in other words, generic Protonix sales? Without that, what do you see the growth coming to next year?

Dilip Shanghvi: Since we do not give guidance independent of non-recurring sales, it is our assessment that including the Protonix sales, the overall growth will be 13% - 15%.

Nimesh Mehta: Okay. And in this guidance do you expect the business to ramp-up in the US generics without Protonix, assuming that US FDA issue will be resolved this year?

Dilip Shanghvi: I think the guidance factors the issues as we perceive it at this point of time. Since the US is a large component of our existing business, it would have been factored into computing this growth in the guidance.

Nimesh Mehta: What I wanted to know is do we expect any resolution or what is that you expect out of this US FDA issue?

Dilip Shanghvi: Beyond whatever that we have shared related to the FDA issues, we will not be able to share anything extra.

Nimesh Mehta: Okay and my last question is on Taro. The pending offer, has it seen any kind of response from the retail investors so far or it has not yet seen any response?



Dilip Shanghvi: The shareholders have a right to subscribe as well as to withdraw during the period of the offer, so I think it makes sense to calculate this only at the end of the offer. There is no sense in calculating it right now.

Nimesh Mehta: Okay, thanks very much.

Moderator: Thank you Mr. Mehta. The next question is from the line of Neelkanth Mishra of Credit Suisse. Please go ahead.

Neelkanth Mishra: In domestic formulations, even after removing one-off sales, it seems that 4th Quarter growth was very high at 49% and this is when you actually pulled back a lot of receivables. Is there something substantially different that happened in the 4th Quarter in India?

Dilip Shanghvi: What we said is that because of a certain distribution policy change specific to last quarter, we had some extra sales which reflected in 81% growth over the previous quarter. If we did not have this one-off sales, then the underlying business would have grown by 25%. Now, the net result we want you to calculate in your calculation is that what we sold more in the last quarter, would impact our performance in the 1st Quarter or at least in the first half. After factoring all of these, we are guiding that we would be growing the overall business by 13%-15% at constant exchange rates. The increase in or change in the receivables is in spite of significant extra sales in the last quarter, even though for a significant part of that extra sales, payment still remains to be received. So we expect the overall receivables to continue to improve in the subsequent quarters.

Neelkanth Mishra: Understood. Thanks sir, that's very clear. Just one clarification on that, when Mr. Valia was talking, he said it was full year sales which would have grown at 25% adjusted for these one-offs, but you just mentioned it is just 4th Quarter sales which has grown at 25%.

Dilip Shanghvi: Yes, I think that is correct. What Mr. Valia said is if Q4 was adjusted, then it would have been 25% sales.

Neelkanth Mishra: Understood. Thanks so much. If I have more questions, I will join the queue again.

Moderator: Thank you Mr. Mishra. The next question is from the line of Balaji Prasad from Goldman Sachs. Please go ahead.



Balaji Prasad: Yes Mr. Shanghvi. Thank you for your guidance. I know that you normally do not deconstruct the break down further, but could you broadly give us what your expected trends are in the domestic market and the formulations market? How you expect it to grow over a year?

Dilip Shanghvi: No, I am not clear.

Balaji Prasad: What I wanted to know from the guidance was what you expect the domestic market to grow at and what do you expect your US market to deliver this year?

Dilip Shanghvi: Actually, you have answered your question in a way, when you said that I will not answer, but in any case you'd still ask.

Balaji Prasad: No, what I am asking is, if you could just give a broad indication, would it be like continuing the trend of the last few years, would we see a similar kind of growth trend?

Dilip Shanghvi: Actually, I think it is difficult for us to guide more specifically beyond what we have already guided.

Balaji Prasad: Maybe then if you could just take questions about your ANDAs. With the current 108 pending ANDAs, what kind of conversion rate could you see? Do you think you could share what's the addressable market size, or any FTF details that you have opportunity leading to exclusivity that you could provide us?

Dilip Shanghvi: Actually, I think beyond giving specific numbers related to number of ANDAs that we have filed and awaiting approval, we do not give any guidance related to new ANDAs that we expect approval for, because I think a large number of variables can potentially prevent the anticipated sales from happening. We have consistently advised investors that it is not advisable to factor significant cash flow from one-off kind of cash flow, or from exclusivities. It is better to focus on the base business.

Balaji Prasad: Fair enough. I appreciate that. Would you at least be sharing the details of FTF amongst us?

Dilip Shanghvi: Actually, we do not wish to share specific information related to FTF.

Balaji Prasad: Thanks Mr. Shanghvi.



Moderator: Thank you Mr. Prasad. The next question is from the line of Rajesh Vora of ICICI Securities. Please go ahead.

Rajesh Vora: Good morning gentlemen. Dilipbhai, on Protonix two things, I believe we can still continue to sell it in the US market, and secondly in terms of any progress on the litigation side, and on venlafaxine XR tablets, if you would want to share some information on that front?

Dilip Shanghvi: I think we now have two litigations with Wyeth and Protonix, one is the litigation related to patent challenge and recently they sued us on false advertising claims on pantoprazole where they say that our product which is advertised as pantoprazole sodium sesquihydrate contains Pantoprazole sodium monohydrate. So, we expect litigation to start within the next few weeks or may be subsequently during the quarter. I think that leaves venlafaxine or Effexor XR. We have not been sued in terms of our subsequent filing for venlafaxine, but the generic approval will take its own course, so we are not able to guide for any specific kind of revenues from that.

Rajesh Vora: Sure. You see good chance, good probability of that approval before June 2010?

Dilip Shanghvi: We expect some revenue to come out of this product during exclusivity period, but difficult to say because FDA approval time is difficult to predict.

Rajesh Vora: Sure. I understand and the last question is for Taro litigation. As far as the US part of it is concerned, has that commenced and is it in any way linked with the Supreme Court verdict in Israel?

Dilip Shanghvi: US litigation is not directly linked with the Israeli litigation but it is currently not on. We are waiting for some date to be fixed for the litigation.

Rajesh Vora: Okay Mr. Shanghvi, thanks a lot.

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

Abhay: Just a couple of questions. Number one on India formulations, how do we take these India formulations in the 4th Quarter? Do we take it from the full year on and divided by four to get a normalized one, or do we see some sort of a decline in the 1st Quarter going forward?



Dilip Shanghvi: No, what we have said is that there is a one time element of sales last year in India, which will get adjusted during this year.

Abhay: And that would largely be in the 1st Quarter?

Dilip Shanghvi: In the first half.

Abhay: Okay. The second thing is on other costs. Can you give any sort of a break up why there has been such a sharp increase?

Dilip Shanghvi: Part of it would be on account of recall impacts.

Abhay: Can you give a bit more clarity, because the increase has been almost like Rs. 200 cr., so would a major part be from product recalls or write downs or any thing like that?

Dilip Shanghvi: Mainly related to product recall as well as to write-offs for product that we would have manufactured.

Abhay: Is there any forex loss or anything which is there in that expense?

Dilip Shanghvi: Give us a moment we will respond.

Abhay: Okay.

Sudhir Valia: Four major factors which need to be noted. One of them is R&D expenditure which has significantly gone up.

Dilip Shanghvi: He is asking about material cost increase.

Abhay: No- the other cost.

Sudhir Valia: Your question is about other expenditure?

Abhay: Yes, other expense. That's it.

Sudhir Valia: So that other expense includes R&D expenses.

Abhay: Yes, exactly.



Sudhir Valia: Secondly, as you mentioned- the exchange fluctuations. What happens is that every quarter we had to consolidate at a rate which was prevailing, so that assets and liability especially the liabilities were getting booked at their prevailing rate. Now the dollar being so volatile that definitely influences this. Now for example consider Hungary where the dollar point say year before was about 160, on the last March 31st it was 235, and currently it is 200. Now, once we account for a liability at 235 that liability goes up and we have to provide for a loss, but what will happen in the next quarter automatically there will be a gain because that currency has changed, that is the accounting policy which we have to follow, but that is one of the major reasons why you have questions.

The other factor is in relation to our expense on the expansion of facilities, where power and fuel cost which had jumped during the last year have now come down but most of the last year if you see all the expenses specially gas bill had significantly gone up.

Abhay: Okay sir, just the first one then- the exchange one, if now the Hungarian currency has appreciated, do we see write backs going forward in the current quarter as you earlier said, you know it is down from 235 to 200?

Sudhir Valia: Yes, that is what I am saying; same is the case with Mexican currency. Peso was at one point of time 11 Peso a Dollar, then in March it went to 15 Peso a Dollar so whatever was the liability payable in Dollar, which was to be valued at 15 and they had to book a loss, now it is 13.

Abhay: Okay. And sir can you give a bit more clarity on how much has been the exchange rate fluctuation impact in the 4th Quarter?

Sudhir Valia: It is still a complicated scenario because it is not only that exchange fluctuation directly, but when we do the company-wide consolidation then at that time, a number of transactions gets influenced. And it is an activity which happens quarter after quarter. So it is pretty complex. Suppose of whatever goods or stocks they have, they subsequently return or write-off some quantity. Then during some quarter the value may be higher because the Rupee may have weakened. And in the current quarter if it is returned or written-off or cancelled then it is at the prevailing rate. So from quarter to quarter you may have loss or profit, but in the year it will get nullified. So for the quarter it becomes very complex for us to discuss.



Abhay: Okay. Sir one last question is in terms of controlled substances, you launched them in January this year, is there any sort of guidance as to how they have been doing because you launched almost a basket of 9 - 10 products, anything in terms of their performance in the US?

Dilip Shanghvi: We are happy with initial acceptance, but you need to consider one issue, which is that in the US we are competing with players who are fully integrated. But we are quite happy with the initial performance and we expect those products to become an important part of our business going forward.

Abhay: Okay fine, thank you sir.

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

Sameer Baisiwala: Good morning everyone. Dilipbhai on the guidance you mentioned that this is based on constant exchange rate, we are referring to the average for the full year Rupee-Dollar rate?

Dilip Shanghvi: No, at the end of the year. I meant for the current period what we are guiding, say for around Rs. 48.

Sameer Baisiwala: Okay. And the second question is on the Caraco FDA issue, is it possible for you to just qualitatively tell us about the nature of the Form 483 which has been issued?

Dilip Shanghvi: I think Sameer you have to realize one issue, which is we cannot give you any information beyond what Caraco has shared with their investors. We expect their 10-K to be filed where Caraco will give some additional information related to their current FDA issues.

Sameer Baisiwala: Okay. Sir my third question is about the receivables which have come off quite dramatically versus at the end of last fiscal. So is it possible for you to discuss what really is driving down these receivables?

Dilip Shanghvi: No I think we focused on receiving payments and that is helping. We expect this to continue to improve going forward.

Sameer Baisiwala: And is it specific to a certain geography say India receivables, or is it for US receivables?



Dilip Shanghvi: I think across all the geographies and all the customers we would have seen a reduction in receivables.

Sudhir Valia: See basically liquidity cushion which the company had that was marginally lower which has ramped up.

Sameer Baisiwala: Okay. And the other question is on Protonix, very recently we had this appeal court decision on preliminary injunction motion, does this change? What could be the implication for Sun Pharma and is it any way different- are you thinking about increasing sales going forward?

Dilip Shanghvi: I think that decision strengthened our case, I do not know by how many percentages, but it still continues to be a launch at risk and we still have a threshold of risk that we will take, beyond we will not go.

Sameer Baisiwala: So what should we infer from that, should we be seeing more sales for Protonix versus what we have seen in the last couple of quarters?

Dilip Shanghvi: Whatever we are saying is factored into this 13% to 15% overall top-line growth.

Sameer Baisiwala: Okay. And this 13% to 15% growth, does it also include sales from Effexor XR?

Dilip Shanghvi: We have no idea about when we will get Effexor XR.

Sameer Baisiwala: So we conclude that this is not included in this.

Dilip Shanghvi: But generally, and this is for all investors- any of the uncertainty-linked revenue will never be factored into our guidance.

Sameer Baisiwala: Okay, that is wonderful. And the last question is on the forward cover, last time I remember that probably the company hardly had any cover for Rupee-Dollar, what is the picture right now that the rupee has started strengthening?

Sudhir Valia: As a policy we try and see our exports are covered...

Dilip Shanghvi: With reasonable amount of hedging...we have some cover for our exports but not significant.



Sameer Baisiwala: Is it possible to quantify, I mean how many months of receivables or something?

Sudhir Valia: No generally we take one year as an objective, but net exports.

Sameer Baisiwala: Okay got you, thank you very much.

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

Sonal Gupta: Sir just a couple of questions, one was can you tell us how much is the revenues from the acquisition of Chattem Chemicals for Q4FY09 and for FY09 as a whole?

Dilip Shanghvi: We will give these details in the annual report. There will be some revenue but it is not very large.

Sonal Gupta: Okay. And sir what is the impact of the one time distribution changes in terms of margins and expenses, because my sense is they should not have too much material impact. Is there a net gain on the margin side because of these distribution changes, or the additional sales that have been booked come equally on the cost side as well?

Sudhir Valia: No, the objective was to make the products available more easily, otherwise there is no change, expense and margin are not impacted.

Dilip Shanghvi: There will be some impact on margin because of the extra sales. So that sales will have relatively low, that will only have variable cost, it will not have corresponding marketing cost.

Sonal Gupta: Okay. So in that sense this one time sales would be of lower margin I guess?

Dilip Shanghvi: It will lead to a higher margin.

Sudhir Valia: Operating cost will not be charged to that part of the business, so margin will be higher for that period.

Sonal Gupta: Okay. And sir could you talk about a little more on where do we have these product write-offs now, I mean is this limited to US or are there some other geographies where we have these product write-offs ?



Dilip Shanghvi: Mainly the US. I mean whatever would be there for other geographies will be of routine nature and recurring, or it would not be very different from what was the write-off in the earlier year, this is significantly extra on account of the US.

Sonal Gupta: Okay, sir. And sir, you mentioned in the beginning of the call that one time expenses relating to exchange rate fluctuation as well as product recall which you have discussed. On the exchange rate fluctuation given that Rupee depreciated overall and given that you have large emerging market sales as well as US sales, you would benefit from the depreciation right, so how is it that it is higher expense for you?

Sudhir Valia: No, as I explained that from the business point of view what you say is that our export is marginally more than the import, to that extent the depreciation of Rupee definitely gives us gains. When we do consolidations of the company's accounts at that point of time the valuations of the currency prevailing, and their value versus the Dollar and then Dollar to Rupee does impact the consolidation, and that is a one time impact, because those impacts are not recurring.

Sonal Gupta: Okay, but the impacts on the P&L would be only related to current assets and current liabilities.

Sudhir Valia: Correct.

Sonal Gupta: So where do you think current liabilities are impacting you negatively?

Dilip Shanghvi: You know what happens is that we have inventory and receivables everything in a foreign currency which will then get converted into Rupee. Now if the currency has appreciated against Rupee then it will have one impact on our consolidation. If the currency has depreciated against the Rupee it will have another impact on our consolidated numbers.

Sudhir Valia: There is no transaction in foreign exchange which has created that ...

Dilip Shanghvi: It is a mark-to-market kind of a situation.

Sonal Gupta: Okay. So I understand that you had a lot of write offs in the US that would have also impacted along with the currency fluctuation.

Dilip Shanghvi: Yes sure.



Sonal Gupta: Okay great sir, thank you so much.

Moderator: Thank you Mr. Gupta. The next question is from the line of Ranjit Kapadia of HDFC, please go ahead.

Ranjit Kapadia: Good morning sir. My question relates to generic Ethyol if you can give some update, because you have said that we continue to selectively sell generic Protonix and Ethyol at risk?

Dilip Shanghvi: Right, that position continues in the same way, we continue to sell generic Ethyol.

Ranjit Kapadia: Okay. And just some guidance for this Protonix and Ethyol, how much sale will be generated in FY10?

Dilip Shanghvi: That is included in our overall guidance.

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

Moderator: Thank you Mr. Kapadia. The next question is from the line of Amritha Kasturirangan from Franklin Templeton, please go ahead.

Amritha Kasturirangan: Just a clarification from a couple of questions that were earlier asked. It relates to the decrease in your accounts receivables- was this influenced in excess to what degree by any product recalls or inventory recalls or write downs that you took during the quarter, thank you?

Dilip Shanghvi: No, that would not have any material impact.

Amritha Kasturirangan: Okay, thank you very much.

Moderator: Thank you Ms. Kasturirangan. The next questions is from the line of Manish Jain of Axis Holding. Please go ahead.

Manish Jain: Yes hi, I had two questions. First is pertaining to SPARC, that last update that we got from you was way back, two years back in March 2007. So wanted to know when you are likely to give an update on that. And second question pertains to the cash and bank balance which you have mentioned about Rs. 3500 cr. assuming that you pay to Taro based on your currently planned rates of acquiring, what is going to be the outgo on Taro?



Sudhir Valia: Taro payment will be same about \$200 million and odd...

Dilip Shanghvi: It depends on how many shares we get.

Uday Baldota: We get only promoters holding then we have to pay Rs. 200 cr. If we get all the shares it is difficult to quantify.

Manish Jain: Yes so basically it is roughly from 200 to ...

Dilip Shanghvi: It will go from Rs. 200 to Rs.1000 cr.

Manish Jain: Okay. And so net cash is Rs. 3500 cr. there is no debt out here?

Dilip Shanghvi: No this is consisting of three cash, bank, and investment.

Manish Jain: Fair enough.

Dilip Shanghvi: About SPARC I think it would have been appropriate to answer in the SPARC conference call, but since we have no call so we will try and give you an update as soon as we have something material to report.

Manish Jain: Thanks.

Dilip Shanghvi: Yes I think also it is important for me to clarify because I do not want to give a feeling that nothing is happening. The milestones between events in drug discovery projects or novel delivery system projects is so long that even though outsiders feel nothing is happening, a lot of things are happening and we are actually very excited about the progress that we are making.

Manish Jain: Thanks.

Moderator: Thank you Mr. Jain. The next question is from the line of Saion Mukherjee of Nomura Securities, please go ahead.

Saion Mukherjee: Yes thanks for taking my question; can you tell us what is the current holding of Sun Pharma in Taro?

Dilip Shanghvi: 36%.



Saion Mukherjee: Okay. Just one question on the net interest income. You mentioned that cash position has increased substantially from Rs. 20 billion to almost Rs. 35 billion and in general the interest rates have been high throughout last year, why is the net interest income up by just around 6%.

Sudhir Valia: See these investments will not have an interest income.

Saion Mukherjee: Can you share what are the incremental investments that we would have made this year in FY09 that is not yielding any interest?

Dilip Shanghvi: Also I think you need to understand one issue, it that funds which are kept in FMP will not have interest income on a month on month basis.

Saion Mukherjee: Okay.

Dilip Shanghvi: So it is difficult for numerical calculations of interest income.

Sudhir Valia: Even the disclosures in accounts also will not qualify that FMP income as an interest income; it will qualify as an income from other sources.

Saion Mukherjee: Okay got it thanks.

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

Bino Pathiparambil: Thanks, most of my questions have been answered, but just one question, the Caraco gross margin has actually come down significantly to about 12% or so which suggests that most of their sales have come from Protonix or other distributed products, is that a correct reading or is there any impact of product recall on that?.

Dilip Shanghvi: What we have seen from Caraco's announcement is that their overall gross margin has come down significantly, but beyond that this time they have not given a split between their own business and distributed products. So I think we will wait for their 10-K to be filed, at that time we will have greater clarity. However, we see no reason why Sun revenues should be impacted.

Bino Pathiparambil: Right. You said you have accounted for product recall related expenses in the other expenditure line item, so can I assume that Caraco must also have done that.



Dilip Shanghvi: Caraco would have factored the recall into their performance of the last quarter to the extent of their recall.

Bino Pathiparambil: Okay right.. And just one clarification which was partially answered earlier also, I mean in that 13% to 15% sales growth do you include any one-off item other than what is selling right now Protonix or Ethylol.

Dilip Shanghvi: No I think I explained to Sameer is that our guidance does not include any one-off kind of numbers.

Bino Pathiparambil: Okay, thank you very much.

Moderator: Thank you. The next question is from the line of Tushar Manudhane of Prabhudas Liladhar, please go ahead.

Tushar Manudhane: Sir just I would like to know how much is the gross block now?

Dilip Shanghvi: Gross block? Maybe if you send a mail to Uday, he will give you the number but otherwise it will come in the annual report.

Tushar Manudhane: Sir not a problem, another thing which I would like to know is that is your tax rate going to remain at such a lower rate for FY10 also?

Sudhir Valia: Tax rate- I do not think there will be any change.

Tushar Manudhane: Okay, thank you sir.

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

Nitin Agarwal: Hi good morning to all, just couple of questions, one is on A) on the US business. Even after we account for the loss of the sales which have come in because of the products withdrawals in Caraco, are the sales in the base business in US as per your expectations for the last couple of years?

Dilip Shanghvi: I did not understand.

Nitin Agarwal: I mean to say in terms of the growth performance that you have seen despite.....



Dilip Shanghvi: In the Caraco business?

Nitin Agarwal: Caraco business excluding the one off, the base business excluding the Caraco revenues, is the growth in the base business as per expectations of the management given the number of product approvals that you have been receiving over the last few quarters?

Dilip Shanghvi: You mean to ask whether I am happy with our performance or ...?

Nitin Agarwal: Yes.

Dilip Shanghvi: And if I tell you I'm happy, then it takes away my freedom to be unhappy with our own people so I do not want to answer this.

Nitin Agarwal: Okay and again sir, you mention something about European sales having commenced in the current year, are we looking at setting up our own independent teams, our own marketing teams in these geographies or how is it gone about?

Dilip Shanghvi: In some limited number of geographies, a limited type of sales organization.

Nitin Agarwal: Okay sir, thank you.

Moderator: Thank you Mr. Agarwal. The next question is from the line of Kartik Mehta of Daiwa, please go ahead.

Kartik Mehta: Yes hi, is there any possibility to shift any manufacturing from Caraco's facility in Detroit to India. And second was about the 30 expected filings, would it be fair to assume everything is expected from India? Thanks.

Dilip Shanghvi: We will evaluate transfer to product in India on a case-by-case basis. Generally, we have not done too many transfers to India because it takes away a lot of effort and resources. The filings would include those from our facilities in India as well as in the US.

Kartik Mehta: Sir, would you offer a comment on Prandin opportunity to be very specific, thanks.

Dilip Shanghvi: I think beyond what Caraco has guided, we will not be able to respond to your question.



Kartik Mehta: Thanks.

Moderator: Thank you. The next question is from the line of Anmol Ganjoo from BNP Paribas, please go ahead.

Anmol Ganjoo: Good morning Mr. Shanghvi. Just a quick question on your initial comments on the acquisition of US assets. We wanted some clarity whether the size or scope of this acquisition or any therapeutic focus has been identified. And second how does Caraco FDA issue and the linking of the timelines feed into your aspirations of acquiring something in the US, thanks.

Dilip Shanghvi: Caraco FDA issues does create an additional activity for us to factor into our resources and capabilities. So to that extent we will be more realistic about what is feasible for us to take on at the same time. Regarding the size of the acquisition it continues to be whatever that we have guided in the past, there is no dramatic change in our aspirations of not doing a very large acquisition.

Anmol Ganjoo: Okay, thank you.

Moderator: Thank you Mr. Ganjoo. The next question is from the line of Prashant Nair of Citigroup, please go ahead.

Mr. Prashant: Hi, all my questions have been answered, thanks.

Moderator: Thank you Mr. Nair. The next follow-up question is from the line of Neelkanth Mishra of Credit Suisse, please go ahead.

Neelkanth Mishra: Yes hi, this is a follow-up on the question asked earlier as well, if I adjust for all your exclusivities of Pantoprazole or Amifostine or Oxcarbazepine with our estimates of their sales, US base sales have remained stagnant for almost six to seven quarters. Now one issue of course is Caraco's possible market share losses in Metoprolol, some product decline, price declines in Oxcarba and Ultracet, but I am just wondering that of the 103 odd ANDA filings that are pending, a large chunk of pending ANDAs are from Sun Pharma India. And we have been getting a fair number of approvals. Is this a reflection of poor performance on the new launches or is this just because of the two- three price declines or share losses that we have seen.

Dilip Shanghvi: Well there is a certain speed with which we gain market share on our products that we get approval for, and since we are not very aggressive in terms of getting business at any cost and



cutting cost dramatically, it takes us time to ramp up our market share on products, but we see that gradually we are able to improve share of products that we have got approval for over the last one, one-and-half years. Some of the gain of these products would possibly get camouflaged by sale of exclusivity products which would have ramped up significantly in the early period. But to answer your questions we could have done better than what we have done already, but that does not mean that we are not focusing on improving our current performance. We continue to improve and I think that continues to be our focus.

Neelkanth Mishra: Okay, thanks.

Moderator: Thank you Mr. Mishra. The next question is from the line of Ajay Sharma from Flowering Tree, please go ahead.

Ajay Sharma: Dilipbhai more of a philosophical question. Having seen you for so many years, I understand you have given the revenue guidance and there are a lot of one-offs this year, but we have never seen in Sun Pharma a profit decline year-on-year, would you like to comment on that for the next year.

Dilip Shanghvi: Well we have been telling investors repeatedly that one-off profits make us very unhappy.

Ajay Sharma: Absolutely.

Dilip Shanghvi: Because it is difficult to grow on that one-off profit. If we look at our underlying core business, then all our core businesses have done quite well. This quarter we have two major negatives, one is the Caraco as well as the significant component of one-offs during last quarter. So I think apart from that if I look at all other businesses, all other businesses have grown more or less in line with what historically they would have grown at.

Ajay Sharma: Okay. Then one question is the sudden spate of these FDA letters to yourself, Lupin as we have seen in the recent past, do you think it is an aftermath of what happened with Ranbaxy?

Dilip Shanghvi: I do not know. No I think we are seeing a significantly changed FDA because I think for a series of issues which have raised concerns of legislature in US, there is significant expectation from the FDA about protecting health on all accounts not only in drugs but in food as well as in approval



of new products, we have a significantly increased emphasis on safety. So anything which has a 1% risk with public health is looked at very differently, with much greater scrutiny now.

Ajay Sharma: Okay that leads to my last question on Effexor XR, let's assume you filed early this year and you had a certain amount of ANDA approval time in the past, say 8 months, 10 months, 12 months, but because of what the FDA is doing, do you think that there'll be a delay on your expectation of earlier approval time, and when can it come now?

Dilip Shanghvi: As I said earlier also, it is difficult for me to give a timeline, we hope it should be faster but it is difficult to give a timeline.

Ajay Sharma: Okay thanks Dilipbhai, all the best.

Dilip Shanghvi: Thank you Mr. Sharma. The next question is from the line of Surajit Pal of Standard Chartered Capital Markets, please go ahead.

Surajit Pal: The first question is what would be your idea of sustainable growth in the domestic market in FY10?

Dilip Shanghvi: We are not clear.

Surajit Pal: Considering these one-offs if I remove the one-off items from your Q4 domestic sales. I still see there is an enormous growth vis-à-vis your peers, say vis-à-vis the other top five or top ten guys in the domestic market. Now what I need to know is that there must be some reasons for this stupendous growth which you are not disclosing. So what could be the growth rate on a high base in FY10, or what could be the idea for your domestic sales, formulation sales in FY10?

Sudhir Valia: Dilipbhai said the same, only because of some distribution change it is one time, but ultimately the business growth is similar.

Surajit Pal: So you still believe that ...

Dilip Shanghvi: It will continue to grow in the way which we used to grow in past.

Surajit Pal: Alright so 20% to 25% is actual and will continue...

Sudhir Valia: That you assess, whatever you find justified.



Dilip Shanghvi: After assessing everything, we've given you guidance.

Surajit Pal: Another thing, sir what could be the latest status on your filing of Lupron Depot, have you filed or is there any legal problems in filing this product.

Dilip Shanghvi: What we have said is that with these complex products, we have learned one thing; it is difficult for us to give any type of time-based guidance. We continue to work for filing the product, but we have not filed that as yet.

Surajit Pal: Okay, what is your cash position in Dollar terms, is it around 520?

Dilip Shanghvi: I think Mr. Valia gave you the number.

Uday Baldota: Let us keep it in Rupees, Surajit.

Surajit Pal: Okay. How much is the impact of digoxin recall in this 4th Quarter business?

Dilip Shanghvi: You have to wait for Caraco's 10-K.

Surajit Pal: Okay my last question is regarding your tax rate. So far I have understood that there could be two possibilities, the first is that the G-7 countries are very hard on those tax geographies particularly, globally. And I believe you have one subsidiary over there, also. So if anything happens in line with the intention they have expressed, what could be the likely impact in your tax rate? And next, how come you have a negative tax rate for Q4 this FY09?

Sudhir Valia: Deferred tax provisions need to be factored in for the negative tax rate. There is no reason for any impact of G-7.

Dilip Shanghvi: I think you are mixing up between what G-7 is after and what we are doing. G-7 is basically saying that if you are using the tax havens for money laundering, they want to control people holding unaccounted money in these tax havens. And both of these issues have no relevance for us.

Surajit Pal: Okay. Your facility has tax benefit from that subsidiary, will it last till 2010 and after that it will be the normal tax, it will get back to into...

Sudhir Valia: As of today we do not see any change.



Surajit Pal: Thank you.

Moderator: Thank you Mr. Pal. The next question is from the line of Saion Mukherjee of Nomura Securities, please go ahead.

Saion Mukherjee: Yes thanks for taking my question, can you quantify the impact because of inventory write-off and product recall in this quarter?

Sudhir Valia: Dilipbhai has said that let Caraco's 10-K be filed.

Saion Mukherjee: Okay, but can you give us a rough estimate.

Sudhir Valia: No let Caraco.

Saion Mukherjee: Okay thanks.

Moderator: Thank you Mr. Mukherjee. The next question is from the line of Amit Shah of Brics Securities, please go ahead.

Amit Shah: Yes thanks a lot, all my questions have been answered, thanks.

Moderator: Thank you Mr. Shah. The next question is from the line of Bhavin Shah of Dolat Capital, please go ahead.

Bhavin Shah: If I take the non-US sales, and remove Indian sales from there, I think there is some Rs. 73 to 74 cr. according to the numbers I get, vis-à-vis about Rs. 25 to 30 odd crores earlier.

Uday Baldota: Those markets have done well for us. The percentage growth has always been higher than the growth in rest of the business.

Bhavin Shah: Any one-off sales in those markets?

Uday Baldota: There might be some, but I think overall our underlying business continues to do well in that market.

Bhavin Shah: Okay any product specific details that we could share?

Uday Baldota: No.



Bhavin Shah: Right, thank you sir.

Moderator: Thank you Mr. Shah. The next question is from the line of Sapna Jhawar of ShareKhan please go ahead.

Sapna Jhawar: Thanks, all my questions have been answered.

Moderator: Thank you Ms. Jhawar. As there are no further questions I would like to hand the floor back to the management of Sun Pharmaceuticals for final comments, please go ahead sir.

Uday Baldota: Yes I thank everyone who joined the conference call. If there are any questions balance, please get in touch with us and we will help you understand, thank you, bye.

Moderator: Thank you Mr. Baldota. Thank you gentleman of the management, ladies and gentleman on behalf of Sun Pharmaceuticals that concludes this conference call, thank you for joining us and you may now disconnect your lines.