

**Text of the speech delivered by Mr. Israel Makov, Chairman, at the 28th Annual General Meeting of Sun Pharmaceutical Industries Ltd., held on August 27, 2020**

Dear Fellow Shareholders,

On behalf of the Board of Directors, I welcome all of you to the 28<sup>th</sup> AGM of your company. This meeting is being held virtually due to the Covid-19 pandemic. I hope you and your family members are safe and in sound health.

Let me begin by highlighting the important role that the global pharmaceutical industry has played during this pandemic. The industry is at the forefront of the battle against Covid-19. It has responded to this global challenge by ensuring that there is availability of medicines across markets despite some supply chain disruptions. Clinical trials are being conducted to test the effectiveness of many existing medicines in treating symptoms of COVID-19. Some of the global pharmaceutical companies, as well as few Indian companies, have also initiated clinical trials for the development of a COVID-19 vaccine.

At Sun Pharma, we promptly evolved a COVID-19 Risk Management Plan and formed multiple COVID-19 Risk Response Teams to tackle the challenges resulting from the global pandemic. Sun Pharma has ensured adequate supplies of medicines to its customers across the world despite the supply chain disruptions and the lockdown restrictions in various countries. Changes at manufacturing facilities have been made to ensure productivity, as well as adherence to all safety and hygiene protocols. We are also leveraging IT technology tools to ensure business continuity and to facilitate work-from-home for many employees in the organization.

Also, we are evaluating the potential of some existing products which can be useful in COVID-19 treatment. These include Nafamostat Mesilate and the phyto-pharmaceutical, AQCH. Both these products are currently undergoing Phase-2 trials in India.

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As part of our corporate social responsibility, we donated certain medicines useful in managing COVID-19 symptoms and hand sanitizers worth about Rs. 250 Million to support the Indian government's COVID-19 pandemic response. Sun Pharma has also arranged personal protective equipment kits, disinfectants, gloves etc. to help fight the pandemic.

Although the current global business environment is uncertain due to the pandemic, let me share some highlights of the global pharmaceutical industry:

- As per IQVIA estimates, the global pharmaceutical market is estimated to reach about US\$1.6 trillion by 2024, growing at a compounded rate of approximately 3-6%. Introduction of new innovative products in developed markets coupled with favourable macro-economic variables in pharmerging markets will be the main drivers of this growth.
- The US pharmaceutical market is expected to grow at about 3-6% to US\$ 605-635 billion by 2024 and, will continue to retain its position as the largest pharmaceutical market globally. While this growth will be mainly driven by launch of new specialty products, the generics market in US will continue to be an important part of the overall effort to control healthcare costs. Sun Pharma is present in both the generics as well as in some of the specialty segments and is well positioned to exploit the growth opportunity in the US market.
- The Indian pharmaceutical market is estimated to reach about US\$ 31-35 billion by 2024 recording 8-11% compounded growth. Favourable macro-economic variables like rising per capita income, growing incidence of chronic ailments, increasing access to modern medicines and improving health insurance coverage will be the key drivers of this growth.
- Sun Pharma's leading position in India will help to leverage the benefits from this opportunity. It is the market leader in India with about 8.2% market share with a significant lead over competition. It also enjoys the No. 1 ranking by prescriptions with 11 different classes of doctors.
- The overall pharmaceutical spending in pharmerging markets, including India, is estimated to grow at 5-8% CAGR to US\$ 475-505 billion by 2024. Sun Pharma is one of the largest

Indian companies operating in these markets and is well positioned to exploit this opportunity.

Let me now discuss Sun Pharma's business and review some of our key opportunities, challenges and steps ahead.

- For the fiscal year 2019-20, our topline grew by 13% to Rs. 323 Billion driven by the India business, our global specialty business, coupled with growth in our rest of the world and API business.
- Sun Pharma's India business has done well with about 15% adjusted growth for the year. Our leading presence in chronic segments coupled with our strong brand equity with doctors is helping us increase our market share in an intensely competitive market.
- We have also initiated an expansion of sales force for the India business in order to expand our geographical footprint and to ensure that all our brands get the attention they deserve.
- Given our distribution and doctor reach, and our strong brand equity in India, we continue to be a partner-of-choice for potential in-licensing of new innovative products from global multinational companies.
- Our US sales for the year were almost flat mainly due to the high competitive intensity in the generics market.
- Our subsidiary Taro, reported a 4% decline in topline to US\$ 645 million, mainly due to increased competitive intensity in the US.
- We grew by 3% in emerging markets for the year. We are witnessing a reduction in tender revenues in our South Africa business. Excluding the impact of the tender sales, we have recorded a low double-digit growth for our emerging market portfolio.
- Our sales in the rest of world markets grew by 31% for the year, driven by increased sales in some key Western European markets and the full year consolidation of the Pola Pharma acquisition in Japan.
- Sun Pharma's API business has done well for the year, recording 11% growth. The API business is of strategic importance since it gives us the benefits of vertical integration

and ensures consistency of supply chain of critical inputs. We continue to focus on increasing API supplies for captive consumption for key products.

- Our global specialty revenues for the year were about US\$430 Million and accounted for approximately 9% of our consolidated revenues.
- We spent approximately Rs. 20 billion on R&D, which accounted for about 6% of sales.
- As of March 31, 2020, we had a comprehensive portfolio of 483 approved ANDAs and 55 approved New Drug Applications. Our pipeline included 98 ANDAs and 5 NDAs pending USFDA approval. We continue to be disciplined in identifying future R&D projects for the US generics market and the focus is on developing differentiated generics.
- R&D spending for the specialty business was about Rs. 4.60 billion, accounting for approximately 23% of consolidated R&D spending for the year. Investments for developing the long-term specialty pipeline are expected to continue.

Let me now talk about our efforts towards enhancing our presence in the specialty segment:

- As we gain traction in the specialty business, it is becoming an additional growth engine for us.
- We undertook multiple initiatives during the year as part of our efforts to build the specialty business. These include:
  - 1.** New specialty product launches in the US - during the year, we launched four specialty products viz., CEQUA, ABSORICA LD, EZALLOR SPRINKLE and DRIZALMA SPRINKLE.
  - 2.** We are targeting new markets like Japan and Greater China for our specialty products. During the year, we out-licensed CEQUA and ILUMYA for the Greater China market to a local partner while in Japan we have recently received regulatory approval for ILUMYA. We have also recently entered into an out-licensing arrangement with Hikma Pharmaceuticals for commercialization of ILUMYA in the Middle East and North Africa region.

**3.** We continue to evaluate new indications for ILUMYA. During the year, we announced positive interim results from a Phase-2 study of ILUMYA in patients with active psoriatic arthritis. We are now in the process of initiating the Phase-3 trials.

**4.** During the year, we also reiterated ILUMYA'S potential through presentation of long-term clinical data at global medical conferences.

**5.** We have also continued with our efforts of enhancing the specialty R&D pipeline by adding preclinical candidates.

- The focus areas for our specialty portfolio include dermatology, ophthalmology and oncology.
- The strategy is to build a robust portfolio of branded patented products for global markets.

Now I will briefly talk about our initiatives for improving overall productivity:

- We continue to target an optimum cost structure which is in line with today's dynamic markets.
- Productivity improvement and cost control efforts are being implemented in multiple areas of the business to make the Company more efficient.
- During the year, we have reduced our consolidated debt by more than US\$ 400 million and consequently, our interest costs have also come down.
- Further enhancement of manufacturing efficiencies, optimizing manufacturing footprint, rationalizing generics R&D investments, reducing fixed costs and interest cost are some of the areas targeted for efficiency improvement.

I am happy to now share an overall outlook of your Company although it is difficult to give a specific business guidance, given the global uncertainty due to the Covid-19 pandemic:

- Our consistent focus is on growing each of our businesses faster than the market in which they operate.

- Our strategy of developing the global specialty business as an additional growth engine has started delivering, with a gradual ramp up in specialty revenues. We expect this momentum to continue over the next few years although the COVID-19 pandemic and lockdowns may throw up some uncertainties in the near-term.
- Generics will continue to be an important part of the overall healthcare management globally. Sun Pharma's strong positioning in the global generics industry and continued investments for the future will ensure that it remains a prominent player in this space.
- Your company is fully committed to the highest level of corporate governance and compliance.
- We are grateful to our talented employees who have done a remarkable job of ensuring business continuity despite the multiple disruptions resulting from the COVID-19 pandemic and lockdowns.
- We are also grateful to our Board of Directors for their guidance and support in these uncertain times.
- We are also grateful to our other stakeholders including our customers, vendors, business partners, the local community and various regulators for their constant support.
- Last but not the least, we thank all our shareholders and we hope that you will continue to extend your confidence in us. Thank you very much.

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