



Corporate Participants:

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Moderator: Ladies and gentlemen good day and welcome to the Sun Pharmaceuticals Q4 FY11 earnings conference call. As a reminder, for the duration of this conference, all participant 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 this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. 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. Good morning and warm welcome to our fourth quarter 2010-11 earnings call. I am Uday from the Sun Pharma Investor Relations team. We hope you have received our Q4 and full year financials and press release that we sent out on Saturday. These are also available on our website. Today, we have Mr. Dilip Shanghvi, Chairman & Managing Director; Mr. Kal Sundaram, CEO; and Mr. Sudhir Valia, Whole time Director for this interactive call. Together they will discuss and respond to queries on performance highlights as well as updates on strategy. As is usual, for ease of discussion we will look at the consolidated financials. This call is being recorded and replay will be available for the next few days. The call transcript will also be put on our website soon. It would be appropriate to mention that the discussion today may include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. I request you to send any queries that remain unanswered to me or Mira. I will now hand over to Mr. Dilip Shanghvi.

Dilip Shanghvi: Welcome and thank you for joining us today on this earnings call after announcement of financial results for the fourth quarter and full year of 2010-11.

First, a few specific mentions. As announced by Taro, USFDA informed Taro in April 2011 that its Canada facility has an acceptable regulatory status, therefore the issues mentioned in its warning letter of February 2009 are considered to be resolved. In March 2011, Taro filed its audited financials for the calendar year 2009. The difference between the audited financials and the unaudited ones filed by Taro earlier is not very significant. With this, the backlog of pending audited statements has been cleared.

As a next step of Sun Pharma acquiring 100% shareholding in Caraco, Caraco has convened a shareholder meeting on June 14, 2011, for approval of its merger with a Sun Pharma subsidiary.

Now as usual, Mr. Valia will outline the financial highlights, then Mr. Sundaram will cover some of the operational performance highlights. I will then talk about R&D and some other developments. I will now hand over to Mr. Valia.

Sudhir Valia: Thank you Mr. Shanghvi. Good morning everybody. Our fourth quarter and full year financials are already with you. As usual, we will look at the key consolidated financials.

Before I begin with the financial highlights, a couple of notes would be appropriate. As you are aware, Taro's financials have been included from 20th September 2010 in Sun Pharma's consolidated financials for the full year FY11. Also as has been consistently highlighted by us in the past, there have been significant non-recurring sales and the resulting profit in the first half for FY11, and of varying amounts in all the quarters of FY10. To that extent, we request all of you exercise care when comparing financials for this fourth quarter and full year FY11 with those for the same period last year.

Now for the financial highlights, first for the quarter and then for the full year. Q4 net sales is Rs. 1463 crores, an increase of 35% over Q4 last year. This high growth is largely on account of Taro sales included in this quarter number, but not appearing in corresponding quarter last year.



The rest of the business has performed in line with our expectations. Material cost as a percentage of net sales is 25%, significantly lower than that achieved in the same quarter last year. This is primarily on account of some inter-quarter accounting adjustments between Q3 and Q4 resulting from consolidation of Taro financials into Sun Pharma in accordance with Indian GAAP. Excluding this impact, which is clearly a one-time impact, material cost would have been 24%. Despite this material cost appearing in the financial year 2011, financials are not subject to change.

Staff cost for the quarter is at 17% of the net sales, significantly higher than 11% in Q4 last year. This is essentially due to staff cost being incurred at Taro which is reflected in Q4 this year, but not in the corresponding period, quarters last year. Other expenditure is 31% of the net sales, significantly higher than 26% Q4 last year. This increase is primarily on account of Taro financials.

As a result, EBIT margin achieved during Q4 equals 27%, significantly lower than 35% achieved in Q4 last year. Excluding Taro financials, EBIT margin achieved is around 25%. The margin on the revenue earning business has remained intact in Q4; additional costs being borne at the sites undergoing remediation measures have depressed the margin. Similarly, net margin at 30% is significantly lower than that achieved in the same quarter last year. On the fully diluted basis, EPS is Rs. 4.30, up from Rs. 3.80 for the same quarter last year.

Now for the full year number. Net sales in FY11 is Rs. 5721 crores, an increase of 43% over same period last year. Again this high growth is a result of combination of several factors; lower sales in the first quarter of the last year, significant nonrecurring sales in the first half of this year and Taro sales being included for the last 2 quarters. As mentioned earlier, performance of the recurring business remains in line.

Material cost as a percentage of the net sales is 26%, marginally lower than that achieved last year. Staff cost is at 14% of the net sales, higher than 12% last year largely on account of Taro's staff cost. Other expenditure is 26% of the net sales, marginally lower compared to the last year. As a result, EBIT margin is 31% similar to that achieved in the last year. Net margin is 32%, lower than 34% of the last year essentially due to higher tax numbers and higher minority share. On a fully diluted basis, EPS is Rs. 17.50, significantly up from Rs. 13 for the last year.

Taro recently announced January-March numbers. Taro reported January-March net sales of \$107.7 million, an increase of 21% over the same quarter last year. Net profit is \$25.7 million for the quarter, significantly higher compared to the last year.

A brief mention about API business. The overall API sales registered a decrease of 4% this year. We scaled up 10 APIs this quarter. Including Taro filings we now have 127 DMF and CEP approved out of 207 filings.

I will now hand over to Mr. Sundaram who will share operational highlights.

Kal Sundaram: Thank you Mr. Valia and good morning to everybody. I will now take you through the Indian formulation business.

In the last quarter, VAT was being shown as an expense but starting this quarter and also for the full year, sales have now shown net of VAT, while this does not impact the net profit as disclosed, sales numbers being disclosed are not strictly comparable to that disclosed in the prior 3 quarters.



For the Indian Formulation business, sales in quarter 4 are Rs. 589 crores reflecting a growth of 20% over corresponding quarter earlier year. For the full year, sales is Rs. 2380 crores showing a growth of 37%. Adjusting for the lower base in the first half of last year, the underlying growth is approximately 23%, in line with our expectations.

According to AWACS, we hold a market share of about 4.3% for the 12 months to March 2011.

During the course of the fourth quarter, we launched nine products taking the total to 39 for the financial year 2011. We are ranked number one by share of prescriptions with six doctor specialties namely psychiatrists, neurologists, cardiologists, orthopedics, ophthalmologists, and gastroenterologists.

As you are aware, Sun Pharma and MSD India have announced an India-specific partnership to co-market MSD's diabetes drugs sitagliptin and sitagliptin plus metformin in India. Under this arrangement, Sun Pharma will have the rights to market sitagliptin and sitagliptin plus metformin in India under different brand names. The partnership is an India market-focused approach to delivering treatment benefits of DPP4 inhibitors to expand the base of diabetic patients by expanding the market reach to a wider pool of doctors and patients.

Now about emerging market branded generic business, sales for the segment as reflected in this quarter has grown by 42% at constant dollars compared to the same quarter last year. For the full year, sales have grown by about 7% on constant dollars than compared to the last year same period. Estimated second line sales growth for the year is over 20%.

Again as you are aware, recently we announced a strategic JV with MSD for the emerging markets focused to develop, manufacture and commercialize new combinations and formulations of innovative branded generics. This JV will help bring together combinations of medicines using platform technologies designed to enhance convenience for the patients. This JV is an important component of strategy to build sustainable presence across emerging markets for complex products.

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

Dilip Shanghvi: Thank you Mr. Sundaram. Throughout FY 11 and subsequently in last 2 months, we have witnessed several events which are in line with our long-term strategy.

Earlier in the year, we were able to complete the acquisition of a controlling stake in Taro. As mentioned by Mr. Sundaram earlier, we announced two tie-ups with MSD. One is a long-term JV for emerging markets excluding India. The other is a product specific co-marketing partnership for India. We also continue to evaluate acquisition opportunities especially in the US and emerging markets. We believe that each of these is a key strategic development critical for the company to achieve its objective of creating a meaningful and sustainable presence in our important markets.

On the R&D front, our efforts continue. R&D expense for the quarter is Rs. 98 crores, equivalent to 6.7% of net sales based on the work of Sun and Taro scientific team.

During January-March quarter, ANDAs for 10 products were filed from Sun Pharma and Taro taking the total ANDAs filed from Sun Pharma, Caraco and Taro in FY 11 to 25. Counting this together with ANDAs for 18 products that were approved during the year and reducing the 5 filings that were withdrawn

during this period, we now have a total of 377 products filed with FDA, of which 152 are awaiting approvals.

Sun's patent library taken together with Taro, now stands at 549 patents with 248 patents granted.

Remediation efforts are ongoing at Caraco's Detroit plant and at Sun Pharma's New Jersey plant. At the moment, there is no specific timeline available for completion of these efforts.

Finally, turning to the guidance of FY 2012, sales in FY 2012 is estimated to grow at 28 to 30% over FY 2011. R&D is estimated at 6 plus percent of net sales. ANDAs for 25 products are likely to be filed by all entities, including Taro, during the year. Capex is estimated to be Rs.450 crores during the year.

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

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may please press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, please press star and 2. Participants are requested to use only handsets to ask questions. Anyone who has a question may press star and 1 at this time.

We have the first question from the line of Nimish Mehta from MP Advisors. Please go ahead.

Nimish Mehta: Thanks for taking my question and congrats on a good set of numbers. I did not hear clearly, you said the guidance for the next year is about 20 to 30% if you can just clarify, that is on the sales side, right?

Dilip Shanghvi: 28 to 30%

Nimish Mehta: Okay fine. My first question is related to Eloxatin. If you can provide any update about the possible launch. What is the latest status on that?

Dilip Shanghvi: We are awaiting the judgment at the District Court level.

Nimish Mehta: So we will be launching only after the judgment?

Dilip Shanghvi: That is correct.

Nimish Mehta: And second, are we still marketing Effexor XR given that there are more AB-rated generic players in the market?

Dilip Shanghvi: Yes, we continue to market Effexor XR tablets.

Nimish Mehta: And is it not getting dented because of the AB-rated competition so far?

Dilip Shanghvi: It never got very good market share to begin with either, in a way that is a positive.

Nimish Mehta: Okay fine and lastly if you can also throw some light on your Europe business especially after the launch of generic Taxotere, how is it going and some understanding of that business in general?



Dilip Shanghvi: European business is still quite small. I think when the business reaches a certain critical side; we will start giving separate information related to Europe.

Nimish Mehta: But how many products have we launched let us say in last year, something like that?

Dilip Shanghvi: Since I am not prepared to respond in advance, whatever answer we will give will be approximate. So it is better for me not to answer.

Moderator: Ok fine. Thank you. The next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Thanks for taking my question. Mr.Valia, just one clarification on the material cost. You mentioned that there are some inter-quarter transactions. So this quarter, material cost as a percentage of sales is 21.4, so can you just take us through what adjustment we need to make to arrive at the actual material cost that is sustainable as a percentage of sales?

Sudhir Valia: When you see the yearly results, this all difference happens only for quarter-to-quarter, not for the period of the year.

Saion Mukherjee: So what would be the material cost if you exclude these adjustments for the quarter?

Uday Baldota: I think we gave that Saion when Mr. Valia was speaking he said that excluding that impact, the number would be 24%, if I remember correctly.

Saion Mukherjee: 24, ok. And also on Taro, that is the significant contributor to both topline and EBITDA at this point in time. So can you throw some light, like going forward for the next 2 years, how the proportion contribution from Taro would change for Sun Pharma?

Dilip Shanghvi: I think in absence of Taro giving specific guidance related to both sales and profit, we will not be able to give information. What Taro has said is that they will focus on improving their performance and their process.

Saion Mukherjee: Sir actually we have seen good improvement in Taro and if I am correct, the margins of Taro are actually better than the base business already. So how do you see improvement panning out? If you can give a qualitative direction as to whether the margins can improve from the current levels?

Dilip Shanghvi: I think it is difficult for us to comment at this point.

Saion Mukherjee: And finally on tax rate, how should we model that going forward, some direction if you can give?

Sudhir Valia: It will go up.

Saion Mukherjee: So can you give a number, I mean broad range if possible?

Sudhir Valia: It is very complex. There are so many countries in which we are present. Indian laws are also changing, but we can only give you an indication is that it will go up.

Saion Mukherjee: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Good morning, thanks for taking my question. Q4 numbers that we are looking at, does it represent a typical base business potential for the business in terms of operational performance, without too much of one offs on the revenues or cost front?

Uday Baldota: To the extent, I think the material cost is lower and we explained that the material cost adjustments will have to be done that is definitely one thing that you will need to take into account.

Dilip Shanghvi: The other issue you will need to take into consideration is that two of the major sites where remediation efforts are going on have significant remediation related costs and are not contributing to the topline of the company. So to that extent, it will correct when the sites become operational.

Nitin Agarwal: Fair enough. Would you like to give any handle on what could be the broad range of the kind of costs that we are incurring for this remediation measures?

Sudhir Valia: It is not completely in our control

Moderator: Thank you. The next question is from the line of Jesal Shah from JM Financial. Please go ahead.

Krishna Prasad: Hi. This is Krishna Prasad here. Thanks for taking my question. If you can just help us understand why your deferred tax asset, it moved up about Rs. 290 crores over the year, if you can help us understand the increase there?

Sudhir Valia: Primarily if you go through the Taro financial results which they have disclosed or declared earlier for year 2009, they have created those reserves and when we merged those entities with our entity, then we have to reflect the same that have happened in line-to-line merger.

Krishna Prasad: So it is primarily because of Taro, this increase in deferred tax asset?

Sudhir Valia: Yes, primarily.

Krishna Prasad: Thanks and one more question on Taro. If I look at it sequentially, the R&D and SG&A cost in Taro have been about \$5 million lower on a sequential basis. So will it be fair to assume that this level of cost synergy will be maintained going forward or is there more that we can expect?

Dilip Shanghvi: No, I think the effort would be to increase the R&D investment in Taro. So if you are seeing some temporary reduction, it will be on account of reduced clinical costs because products may not be ready for clinical studies, but as new products will be worked on, focus will be to increase the R&D investment.

Krishna Prasad: Just one more question. If you can provide us what the emerging market sales were for the quarter?



Kal Sundaram: We do not normally provide split on by region. What I would like to mention is that the secondary demand for the whole year is up by little over 20%. As mentioned by Mr. Shanghvi in the last quarterly results announcements, we took a planned stock reduction during the year which is why you are seeing a primary sales growth of about 7% for the whole year. I think this is all so far probably we can tell you at this stage.

Krishna Prasad: Right and the 7% you talked about was in dollar terms?

Kal Sundaram: Correct. Constant dollar terms.

Krishna Prasad: And any number on the rupee basis?

Uday Baldota: Krishna Prasad, let us talk offline.

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

Anubhav Agarwal: Thanks. Sir just one question on Taro. It has been almost 9 months since the acquisition has been completed. Just two questions here. Are we now comfortable with accounting practice at Taro and secondly have we seen any turnover in the middle management since we took over?

Dilip Shanghvi: I think Mr. Valia will answer related to accounting, but we have not seen any significant turnover in middle management

Sudhir Valia: Taro had difficulties in completing their accounts in past, and that is one of the reasons they had undergone various difficulties, but after they put significant efforts and the auditors who are knowing the issues entered into the game, BDO has come later on, and fortunately for Taro means that after that audit, the SEC audit has taken place and SEC has given a clean chit to the auditors, so there is no reason for now anybody to have any doubt on the accounts of Taro.

Anubhav Agarwal: That is very reassuring. Second question on the US market. Mr. Shanghvi, now with Taro we addressed the gap which we had in our portfolio in the derma side, now what are the other gaps that you see in the portfolio which you want to may be looking from the acquisition point of view, and does biosimilar as an opportunity appeal to you and what are we doing on that front?

Dilip Shanghvi: No, we have no current projects in biosimilars that we are pursuing.

Anubhav Agarwal: And the other question what are the gaps that you are seeing in the portfolio currently?

Dilip Shanghvi: We have many gaps, but we have to look at our capability both to develop, as well as our capability to manufacture some of the products. The focus is to develop a product range that we can market effectively and manufacture in our current facility.

Anubhav Agarwal: Just a last question...Whether any pantoprazole related shelf stock adjustment taken in this quarter?



Dilip Shanghvi: I think shelf stock adjustment is a part of routine business activity. So it will always continue as a part of routine activity and that is something that we generally do not give, unless and until it is a large amount, we will not give specific information.

Anubhav Agarwal: That's helpful. If I can ask one more question. Taro's Canadian facility was cleared and currently it has around 27-28 pending ANDAs. Can you just give an idea how many ANDAs would be blocked because of the warning letter at the Canadian facility, which could come to market now?

Dilip Shanghvi: I think the total ANDAs blocked are from both Canadian as well as Israeli facility, and Israeli facility never had any issues. So you cannot say that 27 ANDAs were blocked because all the ANDAs are at different stages of being evaluated, and FDA now has longer approval timelines which lead to delayed approvals, but some of the ANDAs would have come out of Canada. We have seen 2 or 3 approvals recently from Canada. So possibly those were the blocked ANDAs.

Uday Baldota: Anubhav I think you need to understand here that even when the warning letter was there, Taro got a few approvals from their Canadian site. So the question that you are specifically asking, is to how many ANDAs were blocked due to warning letter and how many are now hence approvable, I think that is rather difficult question for us to answer.

Anubhav Agarwal: Thanks. I appreciate that. I'm done with my questions.

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

Bino Pathiparampil: My first question is on Taro. I think this was asked in some other form, but just to the point, sequentially we have seen a major margin improvement in Taro in this 4Q. So is there any one-off, or like Mr. Valia was mentioning this material cost impact or something which was built into that, or is that broadly a sustainable range going forward?

Uday Baldota: Before anyone else responds, let me clarify. The material cost impact is only in the Sun consolidated financials. There is no impact in the Taro financials. So when we consolidate Taro financials into Sun financials, there is a material cost impact.

Bino Pathiparampil: Right, second part of the question?

Dilip Shanghvi: I think the focus of the management is on improving processes and operations and also make efforts to bring more products in the market as quickly as possible, but unless and until the management gives specific guidance about whether this is sustainable and what is their guidance, we will not be able to give specific information.

Bino Pathiparampil: Second is a request now that Caraco does not publish its P&L anymore, would you be able to give us a separate breakup of what is Sun's US revenue other than Taro?

Dilip Shanghvi: I think it is an important question that you've shared. We will not share for this quarter unless and until Caraco shares the numbers because then it would defeat the legal advice that they have received, but we will evaluate whether subsequent to the merger, whether we will give separate US numbers or not. It is a valid suggestion.



Bino Pathiparampil: Thanks and finally 28 to 30% sales growth guidance, have you assumed some Taxotere revenues in that?

Dilip Shanghvi: It would include everything.

Bino Pathiparampil: Great. I'll join back the queue. Thank you.

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

Sameer Baisiwala: Good morning sir. Just on Taxotere, could you confirm whether you have launched the product in the market?

Dilip Shanghvi: Yes, I think we have launched the product in the market.

Sameer Baisiwala: And any broad color that you can give on the pricing because I think Hospira and Winthrop it was already down 45-50%. So since Sun's introduction, has this been materially pulled down further?

Dilip Shanghvi: I do not have an update on pricing, but your concern that pricing is under pressure is valid.

Sameer Baisiwala: And would you be competing on pricing or would you try to get market share without dropping it too much?

Dilip Shanghvi: I think we have to trade off between margin and business.

Sameer Baisiwala: Ok. And the other question is on the recently published press article that the government is articulating, of shifting from branded generics to generic generics in the domestic market, i.e. pressurizing the doctors to write only the API name. Any thoughts on this and any timelines when you think that this can really be put into practice?

Kal Sundaram: Sameer it is a very complex issue both at the doctor level and more so at the pharmacy, patient level. Totally going away from brand name to generics has a potential to cause confusion. I would think there will be fair amount of discussion before any decision is taken. So it is probably a bit premature for us to think about the possible implications and things like that.

Dilip Shanghvi: I think Sameer you would be aware that since mid 70s and in early 80s, government has looked at this issue many times including the Hathi Committee report and many other situations where they said that the products need to be prescribed only in generic name, but there are reasons why that has not been implemented.

Sameer Baisiwala: What do you think is the key impediment to it, and Mr. Sundaram, if you can update us as to whether you hear the same kind of news in other emerging markets or not?

Kal Sundaram: Sameer what I mentioned is to a substantial degree based on experience in other emerging markets also. For doctors... the brand names are much more user friendly at the doctor level, pharmacy level, and at the patient level. For a whole full generic name to be written for so many



molecules. So in a number of countries, this has been discussed and to the best of my knowledge, I do not think any country has sort of implemented right up to the pharmacy level.

Sameer Baisiwala: And just a question on Taro, what would be the capacity utilization for the Israeli facility?

Dilip Shanghvi: I think they have capacity to expand some of the businesses.

Sameer Baisiwala: Is it under 50%, over 50%?

Dilip Shanghvi: I think capacity is not generally a bottleneck for a pharmaceutical company to increase business. It is having appropriate products, and your ability to get market share at a price at which you make money. So that should not be an issue important to focus on.

Sameer Baisiwala: Just one final question from my side with your permission, that is on FY 12 guidance of 28% to 30%. I am not thinking about Fiscal 12, I am thinking of Fiscal 11 and I see that for two quarters ten days, you have already big in the base the Taro numbers and in the first half, you had about 100 million plus coming from Eloxatin. So the base is maybe a quarter deficient of Taro number, but if I just put that in, then the base is, it is not a short base, so...Is my assessment correct? So we are looking at a fairly genuine base and on top of that, we were planning to grow 28-30%?

Dilip Shanghvi: I think that is a very important observation because generally people would deduct two quarters from the base for Taro which is a fact, but people will not add sales of Eloxatin. It is a good observation. It is a high stretch objective that we are taking, hopefully with a view to meet those numbers.

Sameer Baisiwala: Ok, wonderful. Thank you so much.

Moderator: Thank you. The next question is from the line of Kartik Mehta from Daiwa Capital Markets. Please go ahead.

Kartik Mehta: I just have one thing to ask. Is there any one-off in the other income, it seems to be fairly high for this quarter?

Dilip Shanghvi: There is no one-off income. I think in other income, there would be a certain amount of exchange fluctuation related income, which I think because we operate in so many geographies, it is difficult to predict, but other than that there is no one-off business income.

Kartik Mehta: Will you be able to quantify that exchange?

Dilip Shanghvi: It is there, we have given you. It is part of the other income.

Kartik Mehta: Sorry. I didn't see that.

Dilip Shanghvi: I think you can discuss this off line with uday.

Kartik Mehta: And sir just one last thing is on the cash we have in the books, with the interest rates which would be increasing. Are we in a position to see higher interest income or is it parked in such securities where we would not get the advantage?



Sudhir Valia: Mostly we will get advantage.

Kartik Mehta: And can you quantify how much of it is in rupee and how much of it is in non-rupee invest?

Sudhir Valia: All money is on interest, but if it is international money lying there, the interest rate is lower and if it is Indian currency, the interest rate is higher. What I said is that you will see rising trend on account of interest rate in India going up.

Kartik Mehta: Ok. And in the guidance, is there any assumption for Prandin or would you be open to throw some light on that product?

Dilip Shanghvi: Guidance factors all probabilities and many probabilities which are not in our control. So generally our effort would be that we will try and deliver the number even if issues which are beyond our control do not work out favorably.

Kartik Mehta: Ok, thank you.

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

Sonal Gupta: Hi. Thanks for taking my question. Just a couple of questions. One was, I know you talked about that you are still fairly small in Europe, but I believe you pulled back on certain filings even in oncology related area. So what is the strategy for EU, and also Temodar API. Do you see that has been a significant product for yourself where you just got the approval?

Dilip Shanghvi: I think as I explained, as our European business will reach a certain critical mass, we will evaluate whether we want to give separate details related to European business. As of today, it is not really a material part of business. Now we keep on filing new products and the reason why the European business will become material in the future is because as these products start getting approval, we will start seeing some business coming from them, but all of this is factored into our overall guidance.

Sonal Gupta: Right, and could you just give us some update on the Prandin litigation, where you are in terms of the litigation process, what is the last update?

Dilip Shanghvi: I do not have any specific update right now, but we do currently not have an approval for the product. So it is not only a litigation related issue, but it is also an approval issue.

Sonal Gupta: Right. And finally in terms of the US sales, I just wanted to understand because we seem to be significantly scaling back in terms of the ANDA filings also because you are guiding for 25 on overall basis including Taro, earlier Sun was doing more than 30 on its own.

So what is the strategy for the US market, do you essentially see Taro has been the main driver here and probably your pipeline really coming in, with some of these niche products and first-to-file exclusivity, because we are not really seeing much momentum on the US base business other than Taro. So if you can just talk about what is the strategy?



Dilip Shanghvi: I think US as a business remains an important component of our overall business and the reason why we are guiding for lower filings is, as we expect new approvals, R&D will get equally involved for scaling up new products which are approved as well as for filing new products. So it is a question of resource allocation for priorities. Also we are focusing more on complex products, so that even though the number will represent a smaller number, the upside potential of these products may be larger.

Sonal Gupta: And any comments on the US-base business ex Taro, are you seeing that in accordance with your expectation?

Dilip Shanghvi: I think in our existing product lines, we are capable of doing much better than what we have done, and the focus is to find a way to fully leverage our capability.

Sonal Gupta: ok. Thank you so much.

Moderator: Thank you. The next question is from the line of Ravi Agarwal from Standard Chartered. Please go ahead.

Ravi Agarwal: Good morning, thanks for taking my call. Just one question on the depreciation. If I see from Q3 to Q4, the depreciation is actually down by roughly around \$7-7.5 million. What could be the difference because of?

Uday Baldota: Ravi we will work out the details and give it to you? This seems to be on account of Taro consolidation again.

Ravi Agarwal: Would this actually imply that the depreciation in Taro is lower on a sequential basis?

Sudhir Valia: It is very difficult. What happens, that had given the number in Q3 which was unaudited, though it is not the issue. They followed US GAAP. And when we consolidate to the year, it is in Indian GAAP. So there are differences in accounting GAAP, being this major issue. Now they will follow Indian GAAP while doing consolidations quarter-to-quarter. So we will have no such adjustments in the year end.

Ravi Agarwal: But sir going forward, would this run rate of Rs. 48-50 crores be the run rate?

Sudhir Valia: That is the right number.

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

Ranjit Kapadia: Good morning and hearty congratulations for good set of numbers. My question relates to the tax. In 9 months, we have reported Rs. 814 million, in this quarter, last quarter, is Rs. 22 million so that makes Rs.836 million whereas the full year tax has been reported as Rs.1284 million, that gives a gap of Rs. 448 million. Can you explain this?

The second question relates to, out of the 152 ANDAs which are pending approval, how many are FTF and Para-IV?

Uday Baldota: Just hold on. You're asking too many questions. Can you ask one question at a time?

Ranjit Kapadia: Ok, sure.

Uday Baldota: Can you repeat the question on the tax front?

Ranjit Kapadia: In first 9 months period, we have reported a tax of Rs.814 million and in the last quarter, we have reported Rs.22 million so that makes Rs.836 million. Whereas in the full year..

Uday Baldota: Deferred tax. Mainly on account of deferred tax. There is a note to accounts also that we have given which explains that there is a deferred tax number that has been adjusted. So it is essentially on account of that.

Ranjit Kapadia: Ok. And my second question relates to the ANDA filings which are pending approval, 152. If you can throw some light how many are FTF and Para-IV opportunities out of this?

Dilip Shanghvi: We generally do not break out and give FTF and Para-IV details.

Ranjit Kapadia: Ok. And the third question relates to the outlook of the domestic business. If Mr. Sundaram can throw some light on this?

Kal Sundaram: Barring any unforeseen slowdown in the market, we would expect the momentum to continue going into this year.

Ranjit Kapadia: And how are we seeing the market growing on a large basis?

Kal Sundaram: The expectations are it varies, it depending on who you talk to. On a more conservative side, you are looking at about sort of 12-13% on the optimistic side. People are talking about 16-17%, probably the answer is somewhere in between. I will say give or take, about 14-15% is the expectation going forward for the market.

Ranjit Kapadia: Ok, that is all. Thank you.

Moderator: Thank you. The next question is from the line of Abhinav Chandak from Baljit Securities. Please go ahead.

Abhinav Chandak: Thanks for taking my call. You have given a guidance of 28 to 30% on sales for next year. Can I assume that your margins would be close to 30%?

Dilip Shanghvi: Generally we do not give margin guidance.

Abhinav Chandak: Ok. Now coming to the acquisition part, you have said that you are looking at suitable acquisition as well. Basically in which geography are you looking at because our presence in Europe is pretty muted. So are we looking at something in Europe to expand the business there?

Uday Baldota: What Mr. Shanghvi said in his opening comments that US and emerging markets.

Abhinav Chandak: What could be the size that we are looking at, any rough number?

Uday Baldota: No specific number.

Abhinav Chandak: Now coming to the cost of remediation like we have done at Taro, we have some basic idea that what generally is the cost. So what could be the cost for New Jersey and Detroit, if you could just throw a ballpark number?

Uday Baldota: Abhinav it would be difficult to give such numbers. When we are saying there is no timeline to completion of the efforts, to give a number is also very difficult.

Abhinav Chandak: Right. All the best for the future.

Moderator: Thank you. The next question is from the line of Ashish Thavkar from Emkay Global. Please go ahead.

Ashish Thavkar: Thanks for taking my question. I just wanted to know how much would have been the revenues coming in from the DEPB?

Uday Baldota: I think that we indicated earlier between Rs. 10 to 15 crores annually what we have given as a number.

Ashish Thavkar: And coming to the top-line guidance of 20 to 30%, is it on the net sales figure of FY11?

Uday Baldota: Yes, it is 28 to 30%. On sales of 2010-11, correct.

Ashish Thavkar: And the reported sales figure of 2011, do we also include the income from other operations that 57 figure?

Sudhir Valia: We are talking of income from operations, the top number that you see.

Ashish Thavkar: Thank you, that was my question.

Moderator: Thank you. The next question is from the line of Ajay Tyagi from Press Trust of India. Please go ahead.

Ajay Tyagi: My question is for Mr Shanghvi. I wanted to know what projects you would be launching in 2011-12. And secondly, sir the question was that the growth of 28-30% which you are expecting for FY12 is based on which considerations?

Dilip Shanghvi: What is the second question, growth on account of what...

Ajay Tyagi: My question was that the growth of 28-30% which you are expecting for FY12 is based on which considerations; the growth in US, growth in emerging markets or growth in Europe?

Dilip Shanghvi: No, it is based on the growth in all markets and it is a consolidated number. So we are not giving out separate growth target for different businesses. About capex, we will be spending around Rs. 450 crores in capex this year for both capacity expansion and upgradation of formulation and bulk drug factories. It also includes investments planned in Taro facilities.

Ajay Tyagi: Thank you. Thank you very much.



Moderator: Thank you. The next question is from the line of Ankit Jain, an individual investor. Please go ahead.

Ankit Jain: Hi. I would just like to know how SPARC is contributing towards the performance of Sun Pharma?

Dilip Shanghvi: There are a few SPARC products that Sun Pharma has launched in India. As on today, the sales of those products because they have been recently launched have not been significant. Mr Sundaram can give more information.

Kal Sundaram: Quarter 4 of last year, we launched two products based on technology from SPARC, and this year we will be launching one major product. So hopefully by the end of the year, we will be in a position to give you a better assessment of impact of this product in our sales.

Ankit Jain: How much is it contributing towards the top-line?

Kal Sundaram: That is what I am saying, because they were launched only towards the end of the last financial year, once we will have full year effect, 2011-12, we will much better handle

Ankit Jain: So there is a low base in the last financial year from SPARC right?

Kal Sundaram: That is correct.

Ankit Jain: And what about your future guidance for the EPS? Do you have any idea?

Dilip Shanghvi: You are talking of Sun Pharma EPS guidance?

Ankit Jain: Yeah.

Dilip Shanghvi: We do not give EPS guidance.

Ankit Jain: Thanks.

Moderator: Thank you. The next question is from the line of Manish Jain from Axis Holdings. Please go ahead.

Manish Jain: I just wanted to understand on the R&D expense. If I do 6% of sales, let us say on 30% growth, the R&D expense number would come to Rs.450 crores for 2011-12 which would be roughly around 46% growth over Rs.308 crores in March 2011. Now given that you mentioned you are not going to spend money on clinical trials and only 25 ANDAs. Could you just give some insight on the reason for such an aggressive growth in R&D expense?

Dilip Shanghvi: I did not say that we are not going to spend, I said that last quarter number for Taro in R&D appears to be lower because they have not spent money on that but as new products will be developed, they will spend money on R&D.

Manish Jain: In terms of clarification, basically what I would like to understand is the key reason for this aggressive growth is now you will be spending money on clinical trials?



Dilip Shanghvi: No, everything. I think for first 2 quarters, there is no consolidation of Taro R&D numbers, and that itself will add another around \$20 million.

Uday Baldota: Manish if you look at last two quarters, R&D expenditure is Rs.100 crores every quarter. So if you annualize that, it will be Rs. 400 crores. Rs 450 that you are talking of, that is roughly about 10-12 % growth.

Manish Jain: Got that. Thanks a ton. And I had two more questions but I'll join the queue.

Moderator: Thank you. The next question is from the line of Surjeet Pal from Elara Capital. Please go ahead.

Surjeet Pal: I have just one question. Is that most of the items in your balance sheet numbers has been changed quite significantly because of definitely for Taro ,except one item that is sundry debtors which is almost the same including Taro. Could you throw some light on that?

Uday Baldota: Is it good or bad?

Surjeet Pal: I mean it is similar.

Dilip Shanghvi: This essentially means that some of the earlier debtors in Sun would have been recovered so that the addition of Taro debtors has not increased the overall debtor number. If you see inventory number that has gone up significantly.

Surjeet Pal: Thanks.

Moderator: Thank you. The next question is from the line of Hitesh Mahida from Marwadi Shares & Finance. Please go ahead.

Hitesh Mahida: Congratulations for a good set of numbers. Just wanted to know during the year, every quarter we have seen a 20% plus growth as far the domestic business is concerned. Will it be possible to grow at the same rate in the coming years as well?

Kal Sundaram: We anticipate to maintain the momentum, if the market continues to be as it was last year, it should be possible.

Hitesh Mahida: Ok. And during the quarter, we have seen a 21% growth as far as Taro is concerned, so let us know as to what changes we are doing for such a good growth?

Dilip Shanghvi: I think the company has put in process a lot of initiatives to improve its performance and processes on various activities including working towards bigger market share for their products. So basically, focus on operations and discipline for costs.

Hitesh Mahida: Ok, And sir this sort of performance, is it fair to say will it be replicated in FY12 as well?

Dilip Shanghvi: Whatever that they will do, we have factored that in our overall guidance this year.



Hitesh Mahida: Thank you.

Moderator: Thank you. The next question is a follow-up from the line of Bino Pathiparampil from IIFL Capital. Please go ahead.

Bino Pathiparampil: Just a follow up on domestic market. In the 4Q of FY11, apart from Sun we saw many other companies also reporting relatively weak growth in the domestic market. Many of them commented that there was increased competitive pressure. Many people were not able to meet target and extra bonus and promotional offers were being given, etc. Was that Sun's experience as well?

Kal Sundaram: We did not see any significant variation to the momentum in our business. Also being in chronic care, it takes time to build the business. So you did not see some of the short-term fluctuations in our business as much as you may see with people with more acute care business.

Bino Pathiparampil: Ok, thanks

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

Sameer Baisiwala: Hi, you talked about Rs. 450 crores capex, but is there any new greenfield site that you are thinking of, specifically any SEZ?

Dilip Shanghvi: Yes, there are three new sites that we will be working towards in the financial 2012

Sameer Baisiwala: Okay and they would be SEZ designated sites, all three of them?

Sudhir Valia: Yes, one of them.

Sameer Baisiwala: Are three of them in India or couple of them outside India as well?

Dilip Shanghvi: Most of them are in India. There would be of course, the number includes Taro capex expenses also.

Sameer Baisiwala: Ok, Just one additional question if I may....You are number one in the domestic market in 6 therapies. If you were to add towards three more therapies to this number one, which would be your next target?

Sudhir Valia: Where ever we are number two...

Dilip Shanghvi: But that we don't tell them...

Uday Baldota: We tell them. In the presentation it is there.

Dilip Shanghvi: So Sameer I think the idea would be to aim to achieve number one status, but Kal can tell you more specifically.



Kal Sundaram: Sameer, it looks fair if you look at our presentation going from 2004 to now. In addition to being what you say getting to number one position in more therapy areas, we steadily improved our rankings almost across all therapy areas in which specialties in which we operate. I think that is more a sort of general trend that we look at, in addition to us coming to being number one. Our area of focus is sort of fairly defined, within that the specialties are defined, and almost without any exception, we are consistently improving position that will continue to be our strategy.

Dilip Shanghvi: Actually we are increasing both share of prescription and share of market

Sameer Baisiwala: Ok, thank you so much.

Moderator: Thank you. The next is the follow up from the line of Nitin Agrawal from IDFC Securities, please go ahead.

Nitin Agrawal: Thanks for taking my question again, Sir on the capex front, is it right to assume that capex, talking about the current year, there is a material jump from the Rs.200 odd crores that we used to do earlier and the previous year, this is pretty much, that is not the right statement to make?

Dilip Shanghvi: No, I think there is a significant increase in the overall capex that is planned this year.

Nitin Agarwal: And secondly Mr. Sundaram on the emerging market business, is that are we going through consolidation process for the business, or we still looking to add geographies or how are we looking at the business right now. We did talk about inventories adjustments we targeted for the current year, but from a growth perspective, how are we looking at the entire space for the time being?

Kal Sundaram: I think it will be more consolidating ourselves, in particularly the major markets in which we have commenced operations; and focus on expansion will be probably much less than focus on consolidation.

Nitin Agarwal: And the underlying growth you talked about 20% secondary growth that we achieved for the year, that do you think sustainable number for us in terms of general outlook on the business going forward?

Kal Sundaram: I would expect the momentum to continue.

Nitin Agarwal: Ok, Thank you.

Moderator: Thank you. The next question is a follow-up from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: Just one question. You mentioned that you are looking for acquisition in emerging markets also. What are the areas which are not covered under JV which you are looking to expand in EM?

Sudhir Valia: I think Anubhav the JV will be focusing more on developing differentiated products in emerging markets. So in a sense if you categorize the market, the JV products will be more medium term. When they come out, they will be differentiated products.

What we are talking about is in emerging markets and major markets particularly to attain critical mass. In some of the therapy areas in which we are focusing, we will be looking for acquisition opportunities. So they are mutually exclusive.

Anubhav Agarwal: Got you. Thank you.

Moderator: Thank you. The next question is a follow-up from the line of Manish Jain from Axis Holdings. Please go ahead.

Manish Jain: I just wanted to know on the product launch from SPARC portfolio, one was Latanoprost drop, what was the other product?

Kal Sundaram: That is Timolol once-daily.

Manish Jain: And the product which you are planning for current year, what is that one?

Kal Sundaram: The one that we are planning for this year is our DPI inhaler.

Manish Jain: Ok. And you were on the verge of launching it, roughly any timeline when you expect to launch it?

Kal Sundaram: DPI, I would think covering the next 3 to 6 months, we will be in the market.

Dilip Shanghvi: We have given samples to doctors.

Kal Sundaram: For them to get user experience, we have already given samples, actively following it up.

Manish Jain: Fair enough and Dilip just wanted to get an insight us to when you are all giving an update on SPARC pipeline?

Dilip Shanghvi: Sometime in the next month.

Manish Jain: Thanks a ton.

Moderator: Thank you. The next question is from the line of Mita Shetty from Dalal & Broacha. Please go ahead.

Mita Shetty: Hello sir, thanks for taking my question. Sir, I may have missed this. I wanted your field force strength currently?

Uday Baldota: 2700.

Mita Shetty: And have we added any in this year?

Uday Baldota: About 100.

Kal Sundaram: Marginal addition.



Mita Shetty: We have been hearing about high attrition rates and some pressures. Have we faced the same in this year?

Kal Sundaram: I think what you say across the industry, getting talent and retaining talent is an issue. Within that parameter, I would say probably our attrition is probably marginally below that industry average.

Mita Shetty: If you can give me a percentage on that?

Kal Sundaram: I do not think offhand I remember the number, but I would say as a general trend, there seemed to be a tendency that we keep our people for a longer period than the industry.

Mita Shetty: And the capex you mentioned, that Rs. 450 crores is higher than earlier year, can we assume that this is only for this year and going forward we will see again a figure of Rs.200 to 250 crores?

Dilip Shanghvi: Capex is a function of size of business. As our business becomes bigger and as we expect approval of new products, then we will have to keep on focusing on improving capex. So it will definitely be more than what historically it used to be, but in percentage terms it may not be materially different.

Mita Shetty: Ok, thank you so much.

Moderator: Thank you. The next question is from the line of Ravi Agarwal from Standard Chartered. Please go ahead.

Ravi Agarwal: Thanks for the followup. Two questions. One is on the domestic formulation, Sun as a distinct strategy of not going through field force expansion the way some of your larger competitors seem to be doing at least in the domestic market. Wondering-- do we maintain that view or we think about adding field force as the other company seemed to be doing in the last year or so especially in the domestic side?

Kal Sundaram: Ravi, I think if you look at our portfolio, and given the fact that we focus mainly on specialties, the rate of expansion of field force will generally mimic the rate at which the specialties are expanding. So certainly at any given time the specialties that we are covering, we will want to make sure that we have the maximum coverage, and we are expanding our field force accordingly.

Ravi Agarwal: The question is not in terms of may be expanding to new geographical areas, may be rural or those kind of aspects, more in terms of new segments and new categories whether that is an option, do we see ourselves expanding to that kind of thing..

Kal Sundaram: I think pretty much what you say we have addressed most of the specialties and if you go through the list, almost all the major specialties we are covering. There will be very-very extremely limited scope for us to expand into specialties that..., offhand I am not even able to think the specialties that we will be covering which we are not covering now.

Ravi Agarwal: The second question is on Taro now. Given that Taro is being substantial a upside for this quarter, also for the next 2-3 quarters. Only if we could at least get some more basic clarity on Taro's operations at least going forward. I know there is this Chinese wall that you try to maintain



between Sun and Taro, but at least if we could get some more updates at least about operation of Taro would be very helpful.

Dilip Shanghvi: There is no Chinese wall between Taro and Sun. There is an arm's length transaction between the two companies, but other than that we have access to all the information and it operates as a subsidiary of Sun. Since Taro has not given any specific guidance for this year, we are unable to give details related to Taro numbers, but Sun guidance factors the overall growth that we expect, including in Taro business.

Ravi Agarwal: So can we expect in some near time future getting some more updates from Taro on what their expectations are, and typically at the end of the year most companies would be talking about their expectations for the next?

Dilip Shanghvi: I think currently since the company is not listed. As it gets listed and as it starts getting covered, they might decide to issue guidance.

Ravi Agarwal: Thank you

Moderator: Thank you. The next question is from the line of Abhinav Chandak from Baljit Securities. Please go ahead.

Abhinav Chandak: Thanks for this follow-up question. Can you put a figure to your cash balance as of date?

Uday Baldota: In the result that we've announced, the balance sheet is there Abhinav.

Abhinav Chandak: Right sir. Cash balance was different; you said that there is some cash in India which is yielding higher interest and other in other countries where the rate of interest is low. Do we have any plans of repatriating that surplus cash in those countries, to high leading country like India?

Sudhir Valia: Based on the relationship and the regulation we have been doing that part.

Abhinav Chandak: Can you throw a number to the cash that is there in low yielding countries?

Sudhir Valia: It varies from time to time. So there is no point.

Abhinav Chandak: The percent?

Uday Baldota: Would be difficult Abhinav. If number is difficult, percent also will be difficult.

Abhinav Chandak: Ok, thank you.

Moderator: Thank you. The next question is from the line of Ashish Thavkar from Emkay Global. Please go ahead.

Ashish Thavkar: Thanks for taking my question. Just wanted to know how many new product launches are we planning in the domestic market for the coming fiscal?



Kal Sundaram: Keeping in line with our past trend I will say I will put the numbers anywhere between 20-30.

Ashish Thavkar: How much the new product launches would have been contributing to our revenues in FY11?

Kal Sundaram: I do not have that number offhand here.

Ashish Thavkar: And since we are so strong in the chronic portfolio, is it okay with you to share at what rate our chronic portfolio is growing?

Uday Baldota: Our growth rate is basically chronic portfolio growth rate no?

Ashish Thavkar: The majority of the growth. Can we assume 24 to 25% around?

Uday Baldota: If 80% or more for us is chronic portfolio, then 20% growth that we are talking of is basically growth of the chronic portfolio for us.

Ashish Thavkar: And what would have been the growth due to the volume increase and price increase if you could bifurcate?

Uday Baldota: Large part of it is the volume increase.

Ashish Thavkar: Ok, thanks a lot and all the best.

Moderator: Thank you. As we have no further questions, I would like to hand the floor back to Mr. Uday Baldota for closing comments. Please go ahead.

Uday Baldota: Thank you everybody for joining us on this call. If you have any questions unanswered, please let us know and we will help. Thank you very much.

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