

**Speech delivered by Mr. Israel Makov, Chairman, at the 30th Annual General Meeting of Sun Pharmaceutical Industries Limited, held on August 29, 2022**

Dear Fellow Shareholders,

On behalf of the Board of Directors, I welcome all of you to the 30<sup>th</sup> AGM of your company. I hope you and your family members are safe and in sound health. This meeting is being held virtually.

Let me share some highlights of the global pharmaceutical industry:

- The global pharmaceutical market is estimated to reach about US\$1.8 trillion by 2026, growing at a compounded rate of approximately 3-6%. This includes the spend on Covid-19 vaccinations, which is projected to reach a cumulative value of US\$ 251 Billion between 2021-2026. Excluding the projected spending on COVID-19 vaccines, the industry is expected to record ~5% CAGR between 2021 and 2026.
- The main growth drivers will be increased pharmaceutical spending in the pharmerging markets and the consistent launch of high-end specialty innovative products in developed markets.

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

- I am happy to report that the financial year 2021-22 was a good year for us with strong performance across multiple parameters.
- For the first time in Sun Pharma's history, consolidated revenues have crossed the US\$ 5 billion mark and adjusted net profit has surpassed US\$ 1 billion.
- All geographies did well, recording double-digit growth, while profitability improved despite rising costs.
- EBITDA margins expanded by 170bps to 26.5% over the previous year.
- Excluding exceptional items, Return on Capital Employed improved by 2.88 percentage points to 16.4% while Return on Equity improved by 256 percentage points to 15%.

- Our global specialty revenues recorded a strong 39% growth to reach US\$ 674 million. Its contribution has nearly doubled from 7% of consolidated revenues in FY18 to about 13% in FY22.
- Sun Pharma's India business recorded a strong 23% growth for the year, outperforming the average industry growth, driven by our leading presence in chronic segments coupled with our strong brand equity with doctors. As of March-2022, our market share has improved to 8.34% compared to 8.17% in the previous year.
- Given our distribution and doctor reach in India, we continue to be a partner-of-choice for potential in-licensing of new innovative products from global multinational companies that can be potentially launched in India.
- The India field force expansion undertaken in FY21 has met with good success and the new field force achieved its targets ahead of time. We are planning to increase our field force by another 10% during the current financial year.
- The Indian pharmaceutical market size is estimated to reach about US\$ 37-41 billion by 2026 recording 8-11% compounded growth. Demographics and lifestyle changes, 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 is the largest pharmaceutical company in India and is ranked No. 1 by prescriptions with 11 different classes of doctors. Sun Pharma's top position in India and its brand equity will help to leverage the benefits from the growth in the Indian pharmaceutical market.
- Revenues in the US grew by about 13% for FY22. Specialty sales in US continued to gain traction. While the generics business continued to face price erosion, we were able to grow the business through new launches and efficient supply chain management.
- US is the largest pharmaceutical market globally and is expected to grow at about 2.5-5.5% CAGR to US\$ 685-715 billion by 2026, with the growth driven mainly by new innovative specialty products. Successive Governments in the US have been trying to reduce overall healthcare cost for the country and generics are an important part of the overall effort to control healthcare costs. Sun Pharma has presence in both the generics

and in some of the innovative segments in the US and hence is well-positioned to exploit the growth opportunity in the US market.

- We grew by 16% in Emerging Markets. In local currency terms, large markets like Russia, Brazil and Romania recorded strong double-digit growth.
- The overall pharmaceutical spending in emerging markets, including India, is estimated to grow at 5-8% CAGR to US\$ 470-500 billion by 2026. Sun Pharma operates in about 80 emerging markets and is one of the largest Indian companies operating in these markets. Emerging Markets are in the branded generic space, and Sun Pharma continues to perform well and we have maintained our strong positioning in key markets.
- The Rest of the World business grew by about 11% for the year.
- We spent approximately Rs. 22 billion on R&D, which accounted for about 5.8% of sales.
- We continue to invest in building a R&D pipeline for both the global generics and the specialty businesses. R&D efforts are ongoing for the US, Emerging Markets, Rest of World Markets and for India.

Let me now update you on our specialty business:

- During the year, we in-licensed and commercialized Winlevi, an anti-acne product in the US market. Given its new mechanism of action, the medical community has shown good interest in prescribing the product to their patients.
- We have also continued with our efforts for enhancing the specialty R&D pipeline. The pipeline currently has 4 molecules undergoing clinical trials. It includes:
  1. Ilumya, which is currently undergoing Phase-3 clinical trials for psoriatic arthritis
  2. SCD-044 is in Phase-2 clinical trials as a potential oral treatment for atopic dermatitis and moderate to severe plaque psoriasis
  3. Phase-2 trials for MM-II for knee pain in patients with symptomatic knee osteoarthritis are on on-going
  4. Our GLP-1R agonist is in Phase-1 trials for diabetes

- 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 focus on improving manufacturing efficiencies, optimizing costs, and reducing debt.
- Debt repayment during the year was about US\$ 355 million and over the last three years, we repaid debt of about US\$ 1.38 billion. At year-end, Sun Pharma had a strong net cash position of about US\$ 2 billion.

Let me now share an overall outlook of your Company:

- All our businesses are positioned for growth, and we expect high-single-digit to low-double-digit consolidated topline growth for FY23.
- Ramp-up in our global specialty business is expected to continue.
- As business operations normalize globally, overall expenses are expected to increase.
- Our R&D investments will be about 7-8% of sales in FY23 with increased spending expected on clinical trials for specialty products.

We are grateful to our talented and dedicated employees who have worked hard over the last two years, to ensure business continuity despite the multiple pandemic-induced disruptions, thus enabling us to maintain supplies of our products in various markets while ensuring overall productivity and without compromising on safety protocols.

We are also grateful to our Board of Directors for their guidance and support.

We thank all our other stakeholders including our customers, vendors, business partners, the local community and various regulators for their constant support.

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Your support to us as a shareholder is of vital importance, and we hope that you will continue to repose your confidence in us in the future as well. Thank you very much.

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