Corporate Participants

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Moderator: Ladies and Gentlemen, Good Day and Welcome to Sun Pharmaceuticals Industries Limited Q3 FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nimish Desai. Thank you. And over to you, sir.

Nimish Desai: Thank you. Good evening and a warm welcome to our third quarter FY15 earnings call. Thanks for joining us on a Saturday evening. I am Nimish from the Sun Pharma investor relations team. We hope you have received the Q3 financials and the press release that was sent out earlier in the day. These are also available on our website.

Today, we have with us Mr. Dilip Shanghvi — Managing Director; Mr. Sudhir Valia – Whole-Time Director; and Mr. Abhay Gandhi — CEO of our India business.

Today the team will discuss performance highlights, update on strategies and respond to any questions that you may have. As is usual, for ease of discussion we will look at the consolidated financials. Just as a reminder this call is being recorded and a replay will be available for the next few days. The call transcript will also be put on our website shortly.

The discussion today might include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. You are requested to ask two questions in the initial round. If you have more questions you are requested to rejoin the queue. I also request all of you to kindly send in your questions that may remain unanswered today.

Sun Pharma promoters have recently invested in a few ventures, as financial investors, in their personal capacity. We will not be able to take questions related to these developments. We request you to restrict your questions to Sun Pharma only.

I will now hand over the call to Mr. Shanghvi.

Dilip S. Shanghvi: Welcome and thank you for joining us for this earnings call after the announcement of financial results for the third quarter of FY15.

Let me briefly update you on significant events.

First, an update on the proposed Ranbaxy acquisition. As all of you are aware, we are in the process of obtaining various regulatory approvals for this merger. During the quarter we received conditional approval from the Competition Commission of India. We also received approval from the US FTC post the close of the quarter. With this, most of the approvals have been received while we await approval from the Hon'ble High Court of Punjab and Haryana. In India, the process of divestment of 7 brands, as mandated by the Competition Commission of India is on-going. We expect to close the transaction during this fiscal year.

The other important update is related to our Halol facility. As indicated in the previous call, we continue to implement corrective steps to address the observations indicated by the US FDA during their inspection in Sep-2014. Some of these remedial steps have temporarily impacted our supplies for Q3. We expect supplies to gradually improve from Q4 onwards. We remain committed to achieving 100% compliance. Competitive pressure for Doxycycline and expiry of Repaglinide exclusivity has also impacted the US growth year-on-year.

A few months back, we strengthened our specialty pipeline by entering into an exclusive worldwide licensing agreement for Merck's investigational therapeutic antibody candidate, called Tildrakizumab. As indicated earlier, Merck will continue all clinical development and regulatory activities, which will be funded by Sun Pharma. The financials for Q3 include significant R&D expenses related to the development of this molecule.

We have been able to demonstrate strong profitability in Q3 despite the increased costs related to compliance, integration planning and the temporary supply constraints. Our current profitability continues to be high due to lower competitive intensity for some products in the US.

I will now hand over to Mr. Valia for the discussion of the Q3 performance.

Sudhir V. Valia: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q3 financials are already with you. As usual, we will look at key consolidated financials.

Q3 net sales are at Rs.4,280 crores, flat over Q3 last year. Material cost as a percentage of the net sales was 15% which is lower than Q3 last year. Staff cost as a percentage of net sales was at 13%, higher than Q3 last year.

Other expenditure as a percentage of net sales was at 27% which is much higher than Q3 last year. The increase is mainly due to expenses related to the Ranbaxy transaction, Integration planning and compliance costs. While these costs may continue for some time, they are not permanent in nature. These expenses also include costs related to the funding of clinical development of Tildrakizumab.

As a result of the above, the EBITDA for Q3 was at Rs.1,913 crores as compared to Rs.1,975 crores for Q3 last year, a decline of about 3%. EBITDA margins were at 45% compared to 46% for Q3 last year.

Net profit was at Rs. 1,425 crores, a decline of 7% over Q3 last year. EPS for the quarter is Rs.7.0, compared to Rs.7.4 that we had earned for Q3 last year.

Now we will discuss the 9-months Performance: Net sales were at Rs.12,957 crores an increase of 8% over 9 months last year. On constant exchange rate, our revenue growth for 9 months was 8%.

Material cost, as a percentage of the net sales was 17% which is slightly lower than for 9 months last year. The staff cost for the 9 months was at 13% and other expenses were at 25% of net sales. As percentage of net sales, both these expenses were same as last year.

As a result of the above, the EBITDA for the 9 months was at Rs. 5,798 crores a growth of 9% over the same period last year. EBITDA margins were at 45% for 9 months same as for 9 months last year.

The 9 month period last year had a one-time provision of Rs. 2,517 crores related to the generic Protonix settlement in US thus reducing net profit to Rs. 1,617 crore. Adjusted for this provision, the recurring net profit was Rs. 4,388 crores, compared to Rs. 4,135 crores recorded in the 9 months of last year. Recurring EPS for 9 months was Rs.21.2, compared to EPS of Rs.20.0 last year.

Taro recently posted Q3 FY15 sales of US$ 238 million, up 11% from the corresponding quarter last year. For the 9 months, sales were US$ 619 million, up by 8% over 9 months last year. Taro's net profit

for Q3 was US$ 143 million, up by 23% over Q3 last year. Net profit for 9 months FY15 was at US$ 332 million, up by 23% over 9 months last year.

I will now hand over to Abhay Gandhi, who will share the performance of our India business.

Abhay Gandhi: Thank you Mr. Valia. I will take you through the performance of our India formulation business.

For Q3, sale of branded prescription formulations in India was Rs. 1,150 crores, up by 21% from Q3 last year. For the first 9 months sales were up 20% to Rs 3,294 crores. As per AIOCD-AWACS report, the average industry growth was approximately 10% for Q3 and 9.7% for the 9 months. We launched 15 new products in the 9 month period ended Dec-2014.

As per Dec-2014 AIOCD-AWACS report, Sun Pharma is ranked 2nd and holds 5.5% market share in the Rs.83,000 crores pharmaceutical market. As per the latest SMSRC report, the company continues to be ranked no. 1 based on share of prescriptions with 7 classes of specialists: psychiatrists, neurologists, cardiologists, ophthalmologists, orthopedicians, nephrologists and gastroenterologists.

The long term macroeconomic factors continue to be favorable for the Indian pharmaceutical market. Healthcare expenditure is expected to increase in India in the long term, which implies a favourable impact on pharmaceutical consumption in the country. Competition and government mandated price controls are the other key factors which will determine the long term growth trajectory of the market. Given this backdrop, it is imperative to look for innovative ways to differentiate our product portfolio, build customer trust and add prescription share.

With this I will hand over to Mr. Shanghvi.

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

For Q3, our overall sales in the US were at US$ 413 million, which is lower by 5%. Temporary supply constraints coupled with the loss of generic Prandin exclusivity and a significant decline in Doxycycline sales has led to the decline.

For Q3, formulation sales in the rest of the world market declined by 15% to US$ 72 million in dollar terms over Q3 last year. Our API business has strategic importance for our formulations business. During the quarter, we increased the API supply for captive consumption significantly for key products which enabled us to enjoy the benefits of vertical integration. As a result, external sales of API were at Rs. 181 crores, a growth of 4% over Q3 last year.

R&D expenditure as percentage of sales was 9% for Q3 and 7% for 9 months. In absolute terms, R&D spending for Q3 was Rs.389 crores including expenses for clinical development of Tildrakizumab. For 9 months R&D expenses were Rs. 958 crores. This R&D spending enables development of future product pipeline including specialty and differentiated products. We now have a comprehensive product offering in the US market with approved ANDAs for 358 products while filings for 131 products await US FDA approval, including 11 tentative approvals. In the 9 month period, ANDAs for 19 products were filed and 14 approvals were received. The total number of patent applications submitted now stands at 586 with 345 patents granted so far.

We remain focused on strengthening our existing businesses and developing a differentiated and specialty product basket as well as planning for the Ranbaxy integration. We also continue to review opportunities to expand and strengthen our global footprint.

And lastly, a comment on the recent investments made by my family in a few other non-pharma ventures. These are financial investments and I continue to remain focused on the pharmaceutical business.

With this I would like to leave the floor open for "Questions." Thank you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from Girish Bakhru of HSBC. Please go ahead.

Girish Bakhru: First question on the US market. Can you just clarify what these remediation exercises were that impacted the sales this quarter?

Dilip S. Shanghvi: We have to make changes in the SOPs as well as processes to meet the expectation of compliance, so that becomes a priority. So while we continue to update all of this, the supplies out of that facility is constrained.

Girish Bakhru: This is expected to be over. So next quarter onwards, you will be back to normal, right?

Dilip S. Shanghvi: We hope to be able to improve the supply position next quarter or during this quarter.

Girish Bakhru: Second question was again on the US side for a particular product, Aripiprazole, Abilify. Do you expect generics to probably come in the market in April? I am just trying to get your sense how you see that launch, given that there have been slew of new cases by many generic companies. If you could throw some color on that part?

Dilip S. Shanghvi: Generally I do not respond to questions related to future products, but for Abilify there are a large number of generics who have filed the product. So I do not know how attractive the product will be finally.

Girish Bakhru: In case there are only a few approvals and new cases going on, will it be considered an at-risk launch?

Dilip S. Shanghvi: I am not very current on this product at this moment.

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

Sameer Baisiwala: First question is on the guidance. Your press release says that you are retaining that currently. So if I do a rough math, the fourth quarter would work out to be roughly 20% to 30% bottom to top end of your guidance on a sequential basis growth for the sales. Do you think you will be able to achieve that?

Dilip S. Shanghvi: That is why we clarified that we hope to be able to meet guidance.

Sameer Baisiwala: The second point is on the US sales, ex-Taro, I think there is a fair bit of sequential decline. So what happens? There is no primary sales from the company to the customers, but there continues to be secondary sales and the inventory is getting used up. Is that the way it works? And once you get back in the supply resumption you will start winning back the primary orders?

Uday Baldota: How did you reach that conclusion that there is no primary sales?

Sameer Baisiwala: Because the company reported sales have been knocked out roughly $60 million sequentially, ex Taro, Sun to US market, whereas what IMS is showing, on the secondary data that is, you continue to have the overall market share. So what I am assuming here is because of supply constraint, you are not supplying and selling to your customers and the inventory is getting used up and therefore, the secondary data continues to remain stable?

Dilip S. Shanghvi: Yes, that is logical. Typically most of the customers would be carrying a few months inventory.

Sameer Baisiwala: If you were to delay the supply resumption, then this can snap and…?

Dilip S. Shanghvi: It can even snap if they have a requirement to maintain a certain inventory.

Sameer Baisiwala: But you have not seen that as of now?

Dilip S. Shanghvi: I think that is a product specific issue. Difficult for us to respond.

Moderator: Thank you. The next question is from the line of Abhishek Sharma of IndiaInfoline. Please go ahead.

Abhishek Sharma: I had one around Liposomal Doxorubicin. Have you seen J&J returning to the market from their alternative site which got approved during this quarter?

Dilip S. Shanghvi: Even earlier J&J was there in the market.

Abhishek Sharma: They were, right. So has your inventory position changed as far as Liposomal Doxorubicin is concerned in the last fortnight or so?

Dilip S. Shanghvi: It is difficult for us to respond on this. We presume that they continue to supply.

Abhishek Sharma: Earlier it was a batch-by-batch, so there were manufacturing constraints. So, my question is if that bottleneck has got removed?

Dilip S. Shanghvi: It is logical that it will get removed.

Abhishek Sharma: Around the remediation measures, does this also require redoing some of your data around the dossiers which were filed from Halol facility?

Dilip S. Shanghvi: No. There is no issue of data.

Moderator: Thank you. The next question is from Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just wanted to understand the gross margins. We did around 85% gross margins despite sequential declined in ex-Taro numbers. And Taro reports about 80% gross margins. So not able to understand the math.

Uday Baldota: It is difficult for us on a call to get into too many arithmetical calculations.

Prakash Agarwal: Just a follow-up on the guidance that you talked about that you expect resumption of supplies starting this quarter as well. Because of the huge jump that we are talking about, does our older lost sales also get captured or how does it happen?

Uday Baldota: Let me clarify, there is no stoppage and resumption. There are temporary supply constraints and we are hoping that the supply will improve as we move forward.

Prakash Agarwal: So it takes care of the lost sales which we practically did this quarter. That is what the clarification I need.

Dilip S. Shanghvi: Yes and also we hope to get one or two approvals which would help us get some business.

Moderator: Thank you. The next question is from Manoj Garg of Healthco. Please go ahead.

Manoj Garg: Is there any part of the merger agreement that calls for a recalculation of the share conversion ratio, if Nexium and Valcyte exclusivities are rescinded?

Dilip S. Shanghvi: There is no provision, but you also do not know whether we put value of exclusivity in our valuation.

Manoj Garg: That is correct, I do not know that. You mentioned expanding your global footprint via M&A. Can you just provide some more color what geographies would be most interesting to you?

Dilip S. Shanghvi: We continue to remain focused on the US and bolt-on acquisitions in emerging markets. So these are businesses that we have primary interest in as far as M&A is concerned.

Manoj Garg: Within the US, are there any specific technologies that you are focused on?

Dilip S. Shanghvi: Maybe Dermatology and a few other businesses where we want to develop our Specialty footprint and Generic business with no product overlaps.

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

Ranjit K: My question relates to other income. There is a 50% fall in other income. Also, why the tax rate has come down from 12% to about 7%?

Sudhir V. Valia: Other income is composite of various items including foreign exchange fluctuations and other activities related to exports. So it varies from time-to-time.

Ranjit K: For the quarter, the tax rate is quite low as compared to the last year's quarter. So my question relates to that.

Uday Baldota: Within the subsidiaries of Sun there is a reversal which has resulted into lower tax rate in this particular quarter.

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

Nimish Mehta: On the remediation process, is it fair to assume now that we are expecting the guidance to be met this year itself, you are almost close to resolving all the observations that the US FDA has made?

Dilip S. Shanghvi: We have responded to the observations and we have given a detailed timeline for resolving all the observations, and we are currently in time for all the responses.

Nimish Mehta: As per the timelines are you close to remediation or any such color would be…?

Dilip S. Shanghvi: It is difficult for us to respond because there may be some remediation which may take longer time. Important issue is that we have given a detailed response and we are meeting all the response dates that we have shared with the FDA.

Nimish Mehta: Related to the exclusivity of Gleevec, which is scheduled for a launch in Feb'16, so just wanted to know, is there an opportunity where there might be lower competition even after exclusivity? Your color would be helpful.

Dilip S. Shanghvi: It is difficult to understand which other companies have filed for this product and what the status of their approval is.

Nimish Mehta: Based on the current number of Para-IVs, there are none who are…?

Dilip S. Shanghvi: They may get sued closer to approvals. Because there is nobody who has been sued does not mean nobody has filed.

Nimish Mehta: Because there is nobody who has been sued also means that their launch date will be longer than us, is that a fair assumption?

Dilip S. Shanghvi: No. If they get sued after the 45-days window then there will be no 30-month stay period.

Moderator: Thank you. The next question is from Sudarshan Padmanabhan of Sundaram Mutual Fund. Please go ahead.

Sudarshan Padmanabhan: You had mentioned, on account of Ranbaxy the one-off expenses and as far as the FOREX losses that you might have incurred in the emerging market?

Dilip S. Shanghvi: We are not separately quantifying these numbers.

Sudarshan Padmanabhan: You just mentioned that you would be looking out for some bolt-on acquisitions in emerging markets. Now given the kind of cross-currency and issues that people are facing in emerging markets, I just wanted your sense on the industry as to how do you see the emerging markets probably in the next two years and probably in the next five years?

Dilip S. Shanghvi: We continue to believe that emerging market is a very interesting opportunity for us to focus on.

Sudarshan Padmanabhan: Any specific markets which you find more attractive than the others?

Dilip S. Shanghvi: We have a few core markets that we are focusing but we will not be able to share more information on these markets due to competitive reasons.

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

Neha Manpuria: First, on the Halol facility, as we are doing these remediation processes, would there be any need of reinspection at all by the USFDA?

Dilip S. Shanghvi: We would not be able to comment on behalf of the FDA. It is a decision which normally they would take.

Neha Manpuria: Some of our peers have seen approvals getting delayed because of Form-483s. Do we see some risk to our approvals because of the remediation action or because of the Form-483 at Halol?

Dilip S. Shanghvi: There is always a possibility of delayed approvals. But it is difficult to understand whether that delay is because of the facility or the delay in the approval process. One positive information is that FDA is looking at all the applications filed under GDUFA to meet the timelines, but also it means that there is a potential for delay on some of the older filings.

Moderator: Thank you. The next question is from Sonal Gandhi of Capital Metrics. Please go ahead.

Sonal Gandhi: If I look at the interest cost, it has gone up to Rs.18 crores this quarter versus about Rs.6 crores a year back. So just wanted to understand the reason behind it.

Uday Baldota: There is some amount of increased borrowing that has happened within the group entity, but it is not substantial.

Sonal Gandhi: Is it possible for you to share what has been the cash from operations?

Sudhir V. Valia: We generally do not share the cash flow during the quarters but compared to the net profit the cash conversion continues to be quite strong, in line with the historical trends.

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

Nimish Mehta: The generic Nexium launch by Sun Pharma, Sun's own ANDA and settlement. Any color would be helpful?

Dilip S. Shanghvi: We will not be able to share any information on future products.

Nimish Mehta: If you can comment on the performance of DUSA that would be helpful. Has there been any further penetration in Dermatologist?

Dilip S. Shanghvi: We are happy with our acquisition and it is meeting our internal business case that we had built.

Moderator: Thank you. The next question is from the line of Aditya Khemka of Ambit Capital. Please go ahead.

Aditya Khemka: Firstly, on the R&D front, so I understand this quarter the costs were higher because of spend on the Tildrakizumab asset. Going forward, would you guide R&D at a similar percentage in terms of sales, or because this quarter the sales were depressed and R&D was high, the percentage looks higher, so would you expect some moderation in terms of the R&D expense?

Dilip S. Shanghvi: Generally, our guidance is for this year. We will not be able to give information for next year at this stage.

Aditya Khemka: But in terms of an absolute number, can we take the current quarter's R&D spend of about Rs.390 crores as the run rate going forward? Would that be a fair assumption for our financial models?

Dilip S. Shanghvi: I have not shared next year's R&D numbers, so it is difficult for me to respond immediately.

Aditya Khemka: On the gross margin front once again, I understand that there are multiple factors in Taro's gross margin as cost of sales versus ours material cost. But a sequential decline of about 200 basis points in terms of raw material cost despite a depression in sales of ROW and US because of capacity issues at Halol, it is slightly beyond sort of comprehension for the time being. So any color on that would be very-very much appreciated, please?

Uday Baldota: I think we responded to an earlier question on the same subject. On the call it's difficult to explain how this has moved.

Aditya Khemka: Have we initiated the exports on the third-party transaction that we had engaged in last year?

Sudhir V. Valia: Yes we have.

Aditya Khemka: Are those goods also manufactured at Halol? Just to get a sense of whether the supply to that transaction has really constrained at this point in time.

Uday Baldota: We will not be able to disclose these details.

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

Rahul Sharma: Just wanted clarity on Doxil. There is news that probably a new manufacturer has been approved. Could you throw some light on it?

Dilip S. Shanghvi: It is always possible and that is something we have been saying, that in the Generic business there can always be a new manufacturer.

Rahul Sharma: You are not aware of anybody coming in? One of the websites on Doxil suppliers is mentioning it. I just wanted clarity on that.

Dilip S. Shanghvi: At least there are no "Orange Book" approvals.

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

Sameer Baisiwala: You mentioned that you expect a couple of new approvals for the US market in the current quarter. Is it possible to share whether these are from Halol or from some other sites?

Dilip S. Shanghvi: The question which was asked earlier was that whether we will recover and we will sell more of the same product, so then I clarified that the sales for next quarter can also include a few new products. We will not be able to disclose details on which site these approvals can come from.

Sameer Baisiwala: I do not know whether you are taking questions on SPARC or not, but I guess it is a little relevant in the sense that if I remember SPARC's last disclosures, the major filings were supposed to be in 2018 or thereabouts, and there is a couple of smaller ones which may be round the corner. Is there any change to that situation?

Dilip S. Shanghvi: There is no change.

Sameer Baisiwala: On DUSA, we were pre-acquisition doing about 250 to 270 new device installations per year. Has that been meaningfully materially accelerated?

Dilip S. Shanghvi: Actually I do not know. I think the business can grow in multiple ways — one is by selling more products to more customers; the second and from my point of view easier way to increase the sale is sell more through each customer who already has the device. So I think we are seeing increase in volume I think we are comfortable with the way in which it is progressing.

Moderator: Thank you. The next question is from Chirag Talati of Kotak Securities. Please go ahead.

Chirag Talati: On these third-party sales that you started to book, which division would it be accounted for in?

Uday Baldota: We are not indicating which specific market it is headed towards.

Moderator: Thank you. The next question is from the line of Praful Bora of Religare. Please go ahead.

Praful Bora: Just a thought on the Ranbaxy write-off of the deferred tax asset. Given the fact that now we are closer to the completion of the merger, could we still take the benefit of the deferred tax asset?

Sudhir V. Valia: We need to review and then consider it.

Moderator: Thank you. The next question is from Prakash Agarwal of Axis Capital. Please go ahead.

Prakash Agarwal: What is the CAPEX for the quarter?

Sudhir V. Valia: We have a CAPEX guidance for the year and we are more or less in line with that.

Prakash Agarwal: Would that change post-Ranbaxy? Would we have to spend a lot of money in upgrading Mohali or the other facilities, could you throw some broad light?

Dilip S. Shanghvi: It is difficult to respond before we close the transaction.

Prakash Agarwal: And the cash position, sir?

Uday Baldota: We will be at Rs.12,500 crores.

Prakash Agarwal: So what is the debt position?

Uday Baldota: I do not have the numbers off hand, but there will be some debt, I think that is what I indicated earlier in response to some other question also.

Prakash Agarwal: On the four approvals that we got, have there been any approvals from Halol?

Uday Baldota: Generally, we do not indicate any specific site for approval.

Dilip S. Shanghvi: There has been no approval from Halol in the last few months.

Moderator: Thank you. The next question is from the line of Abhishek Sharma of IndiaInfoline. Please go ahead.

Abhishek Sharma: Just on Tildrakizumab, if you could just give us some color on the ongoing Phase-3 trial in terms of how many patients do you intend to recruit, and how many have been recruited, by when could you report some top line results from that trial?

Dilip S. Shanghvi: All the patients who have to be recruited have been recruited. No new patients are yet to be recruited for the ongoing study. There is one small additional study which needs to be done

which should not take a long time. I have no specific way by which we can share with you a date for closing the study.

Abhishek Sharma: So when was your last patient in?

Dilip S. Shanghvi: I do not have exact date.

Abhishek Sharma: What duration of patient time during the trial will be what — is it 52 weeks or…?

Dilip S. Shanghvi: I think it is shorter; the dose cycle is 12-weeks, I do not know up to what period they measure the response rate.

Moderator: Thank you. The next question is from the line of Aditya Khemka of Ambit Capital. Please go ahead.

Aditya Khemka: Our India business revenues grew 21% YoY. Is it because of getting into new therapies or new product launches in existing therapies, what is driving growth?

Abhay Gandhi: It is basically because we did well in the existing therapies, we have not really got into new therapies and for the year we have launched 15 new products and a lot of them have done well also.

Aditya Khemka: How sustainable do you feel this is? Because as I understand it there is a limit to the number of new products you can launch among the existing therapies, we have been dominating these therapies for a few years now. So how sustainable do you think restraining yourself to these therapies? If you were to expand in your therapies, which one which would be one that you would be more attracted towards?

Abhay Gandhi: I think we have enough headroom to continue to do well and that is what the team is focused on. I think we should hopefully be able to deliver.

Aditya Khemka: On same business, has there been any shift in terms of the inventory that the system carries? So what I am asking is for priority because the channel is to carry two months of inventory. Have they now come back to two months, or have they permanent sort of reduce that holding to a month or something like that?

Abhay Gandhi: I think channel inventory is back to normal. The issue which you are raising was maybe more than a year ago.

Aditya Khemka: How much inventory this channel normally carry, sir?

Abhay Gandhi: In our case it is very low. Today, if you ask me the 30-day is what the channel normally carries.

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

Nimish Mehta: If you can comment on the performance of Temozolomide that we launched a couple of quarters back in US, in terms of there are only two players, last when I saw the market share was not substantial. So has it improved? Some ballpark understanding would be better.

Dilip S. Shanghvi: I think we have reasonable market share from our point of view, it can always go up and it is an important product for us.

Nimish Mehta: You expect long-term low competition there?

Dilip S. Shanghvi: That would be difficult to answer.

Nimish Mehta: On the domestic business, if you can let us know what are the focus areas where we are trying to increase our presence. We have been fairly there in terms of CNS, CVS, Diabetic. So any new therapy areas where you feel that you need to fill up the gap in terms of leadership, that would be very helpful to know?

Abhay Gandhi: As I said, the focus is on doing better than what we are doing in therapies where we are already present and increase our share of market.

Nimish Mehta: Any therapies that you feel that you are probably not there in terms of, let us say, leadership position or a therapy that you…?

Abhay Gandhi: As a part of internal evaluation we would keep looking at those opportunities, but there is nothing that I can discuss on a call here.

Nimish Mehta: Now that we have the Taro with a pipeline, or portfolio of topical products, dermal products. Are we not thinking of bringing that to India or is that not there in the strategy?

Abhay Gandhi: As I said, we do evaluate that but we look at what is relevant to India, not necessarily Taro portfolio. So, whatever we need to do to succeed in India we would do.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the floor back to Mr. Nimish Desai for closing comments.

Nimish Desai: Thank you, everybody for being on the call. If any of your questions have remained unanswered, I request you to send them across. Thanks. And have a good evening.

Moderator: Thank you, members of the management. Ladies and Gentlemen, on behalf of Sun Pharmaceuticals Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.