



Corporate Participants

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Moderator: Ladies and gentlemen, good day and welcome to the Sun Pharmaceutical Q4FY13 Earnings Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nimish Desai. Thank you, and over to you, sir.

Nimish Desai: Thank you, and good evening, and a warm welcome to our fourth quarter and FY13 earnings call. I am Nimish from the Sun Pharma Investor Relations team. Let me introduce the Sun Pharma team today. We have with us this evening Mr. Dilip Shanghvi – Managing Director; Mr. Sudhir Valia – Whole Time Director; and Mr. Abhay Gandhi – President. Today, they will discuss performance highlights, update on strategies and respond to any questions that you may have. As is usual, for the 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 up on the website shortly. The discussion today might include certain forward-looking statements and this must be viewed in conjunction with the risks that our business faces. I request you to restrict yourself to two questions. If you have more questions, I request that you rejoin the queue. I also request all of you to kindly send in your questions that may remain unanswered today. I will now hand over the call to Mr. Shanghvi. Over to you, sir.

Dilip Shanghvi: Thank you, Nimish. Welcome and thank you for joining us for this earnings call after the announcement of financial results for the fourth quarter of 2012-13. Our sales for financial year 2013 have crossed the US\$2 billion mark, and it is interesting for us to note that it took us almost 27 years to reach a turnover of US\$1 billion in terms of revenue. At this point, I am happy to point out that we crossed the next US\$1 billion in another three years. So, in a way, it's a reflection of the performance of the entire team at Sun Pharma.

Also, on occasion of our completing 30 years of operations, I am pleased to announce a reward for shareholders in terms of bonus shares of one share for each share held.

Now, let me briefly update you on significant events during the year. As you know, earlier this year, we received the US FDA approval for generic liposomal doxorubicin injection. This reaffirms our strategy for building technological strength with complex products.

We also closed two important acquisitions in the year, as we had shared with you; URL's Generic business and DUSA. Both these strengthen our US presence and we have begun to look at ways to grow these businesses.

As of March 2013, we had cash and cash equivalents of approximately US\$1.3 billion. This periodically raises expectations from investors about acquisitions. I would like to once again repeat our stand. We will share more information when there is something to share. Until then all the expectations are mere conjecture. I will now hand over to Mr. Valia for the discussion of the full year and Q4 performance.

Sudhir Valia: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our full year and Q4 financials are already with you.



Before we discuss the financials, let me highlight that the US dollar is at a higher rate this quarter as compared to same quarter last year. The resulting growth in rupee-reported sales and profit on account of that may not be sustainable. We would like to request you to take care when you compare full year and Q4 with that of the previous year. As usual, we will look at key consolidated financials.

Q4 net sales are at Rs.3071 crores an increase of 32% over last year. Material cost as a percentage of the net sales is 17%, lower than Q4 last year. Staff costs as a percentage of the sales were at 14%, slightly lower than Q4 last year. Other expenditure as a percentage of net sales is at 27%, higher than that of Q4 last year.

As a result of the above, the EBITDA achieved in Q4 is Rs.1260 crores as compared to Rs.956 crores for the fourth quarter of last year, a growth of about 32%. Tax at 14% of PBT is lower than that of the fourth quarter last year. As a result net profit for Q4 was Rs. 1,011 crores registering a growth of 23% over the same quarter last year. On fully diluted basis EPS is Rs.9.8, compared to Rs.7.9 that we had earned for the fourth quarter last year.

Now, we will discuss the full year performance. Net sales were at Rs.11,239 crores, an increase of 40% over the last year. Material cost, as a percentage of the net sales is 18.5% which is lower as compared to the previous year. The staff costs for the year is at 13.7% of the net sales, lower than 14.8% for last year. Other expenditure at 24% of net sales is almost same as that of the previous year. As a result of the above the EBITDA for the year is Rs. 4906 crores a growth of 51% over last year. Adjusted Net profit is Rs. 3,591crores, a growth of 39% over the last year. As we had shared earlier, out of abundant caution we had made a provision for generic Protonix. The net profit after this provision is Rs. 3,008 crores registering a growth of 13%. Fully diluted EPS is Rs.29, up from Rs.25.7 for the last year.

Taro recently posted Q4 FY13 sales of US\$ 165 million, up 14% from the corresponding quarter last year. For FY13, Taro's sales were US\$ 671 million up 24%. Taro's Net profit for Q4 was US\$ 49 million and US\$ 266 million for FY13, post provision of US\$ 22 million and US\$ 33 million, respectively for settlements and loss contingencies. Both for the fourth quarter and FY13 volumes declined marginally.

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

Abhay Gandhi: Thank you, Mr. Valia, and good evening, everybody. I will take you through our India Formulations business. Sales for Q4 were at Rs.780 crores, while sales for the full year were at Rs.2,966 crores. If you adjust for the extra sales, which we had done in Q4FY12, as well as for the change in treatment of the expected sales returns and treatment of discounts, both of which we had shared with you earlier, then the underlying sales growth of Domestic Formulations business is 16% for the quarter, and 19% for the whole year.

Sun Pharma is ranked 3rd and holds 4.9% market share in the Rs.70,000 crore pharmaceutical market as per the March 2013 AIOCD AWACS report. Based on SMSRC data for Feb 2013, the company continues to be ranked #1 based on share of prescriptions with seven classes of specialists; psychiatrists, neurologists, cardiologists, ophthalmologists, orthopedicians, nephrologists and gastroenterologists. Three products were launched during the quarter taking the total for the year to 25.

An important development this quarter was a notification of the new pricing policy. Despite this development, we continue to find the Indian market as interesting and as competitive as ever. In this



intensely competitive market, with new entrants coming into the market almost every quarter, we continue to look for innovative ways to differentiate our product portfolio, build customer trust and add prescription shares.

A word about Sitagliptin. With our JV partner, we are also a party to the patent infringement suit on Sitagliptin against Glenmark. Sun and Merck have strong arguments in this case. We would not like to comment further on this case as it is subjudice. With this, I will hand over to Mr. Shanghvi.

Dilip 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 Q4, sales in the US increased both for Sun's products as well as for Taro. Our overall sales in the US for Q4 are US\$330 million, which is higher by almost 63%. For the year, US sales across both the companies were up 56% to US\$1.1 billion.

Formulations sales in the rest of the world market accounted for US\$73 million in the Q4 registering a growth of 13% over the same quarter previous year. For the full year, International Formulations sales at US\$281 million, were up 21% in dollar terms. Excluding Taro, Sun's rest of the world sales for the year was up by 32% in dollar terms.

Our API business grew by 11% for Q4 and 23% for the year. Most of the API we produce is used in-house, and rest is sold to the end users in the developed markets. R&D expenditure for fourth quarter was Rs.231 crores at 7.5% of the sales, while for the full year it was Rs.704 crores at 6.3% of sales. This generic R&D spend allows us to build up pipeline in all areas of our business and sometimes bring in complex or differentiated dosage forms.

In fourth quarter, ANDA for 9 products were filed, while for the year, ANDAs for 22 products have been filed with the US FDA. We now have 311 ANDAs approved for a total of 449 products filed with the US FDA and ANDAs for 138 products await approval. On a consolidated basis, we now have 814 patent filings with 457 granted patents. In all, this has been a good year.

For FY13 we have guided for a strong 30% to 32% constant currency growth. As you can see, we have performed more or less in-line or slightly higher than the guidance. On this high base, we expect FY14 consolidated top line to grow by 18% to 20% over financial year '13 at constant currency. R&D expenses are expected to be around 6-8% of sales while we expect overall capex at Rs.800 crores. We plan to file about 25 ANDAs for FY14. With this, I would like to leave the floor open for questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of H.R. Gala from Quest. Please go ahead.

H. R. Gala: Two questions from my side. In Domestic Formulations, you did say that the Indian market is interesting and it is turning very competitive. Can you just tell us, being a leader in several therapy areas, how will the new pricing policy affect us?

Abhay Gandhi: I think in the last conference calls also we had mentioned that the loss for us could be in the worst-case scenario around Rs.40 crores to Rs.50 crores, and we are confident we would be able to take it in our strides and move ahead on the ways that we have.



H. R. Gala: Rs.40 crores to Rs.50 crores for full year?

Abhay Gandhi: For the full year.

H. R. Gala: That is not a big amount.

Abhay Gandhi: I think in the overall context, yes, I think it is something that we can take in our stride and continue to move ahead.

H. R. Gala: My second question pertains to the US generic business, which has been doing exceedingly well following different acquisitions that we have made. Now, looking to the general scenario prevailing in the western world, how do you see our US and rest of the world generic business shaping up over next few years?

Dilip Shanghvi: We remain quite excited about our business in regulated markets and we continue to make significant investments. We do not give long-term guidance, but our guidance for this year does include significant performance improvement contributed by our US business.

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

Anubhav Agarwal: One question on doxycycline. I am just trying to understand what has created shortage in this market. Is it more driven by high demand coming to doxycycline from tetracycline or is it more of a supply issue, which could be because of unavailability of the raw material or is it one of the players going out of the market? What has created shortage in this market?

Dilip Shanghvi: I do not have specific visibility of the reason. But I think as we have shared with investors when we disclosed the acquisition of URL is that our strategy would be to find a way by which we can bring back new products because whatever pricing opportunity you see are temporary. So we have to focus on building a stable and consistently growing business.

Anubhav Agarwal: Mr. Valia, just one question on receivable days; receivable days seems to have come down very significantly; I mean they are down to 60 days in the latest balance sheet. Which market is driving it? Because for Taro reported balance sheet, receivable days have not changed year-on-year?

Dilip Shanghvi: We do not have specific numbers. So maybe this question you would need to take with Nimish offline. But I think our focus always has been to improve the operating efficiency of businesses in ways by which we can reduce inventory, reduce overall outstanding and improve the overall working capital efficiency.

Moderator: Thank you. The next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Just a question on Lipodox. With FDA taking J&J's product on a month-by-month basis, do we have any sense of why or when their process will get fully approved? If you can give an idea of how is the market split between J&J and your product?



Dilip Shanghvi: We remain quite excited about the opportunity of generic liposomal doxorubicin. I do not have specific split between Sun and J&J for overall market share, and it is not possible for us to comment on FDA's action about what they will do in future.

Girish Bakhru: The other question was on URL. I know you have mentioned in the press release that the withdrawn products do not appear in the statistics of number of ANDAs, but just wanted to get a sense, have you relaunched any of those products yet or how many products do you see relaunching from URL in FY14?

Dilip Shanghvi: There is no product which is reintroduced as such till now. But we are working on bringing back a few products, it is a question of time and also some products will require extra work. There would be some products which were discontinued on financial or profitability grounds that may still remain unprofitable, so we may not bring those back, some products may have some kind of validation-related issues, so we have to complete all of that before we can reintroduce those products.

Girish Bakhru: Just on the related question, with URL, there are certain products where there is some active litigation still going on. Does that really impact per se, how you are deciding which products to come in the market?

Dilip Shanghvi: I think there is only one product for which there is an active litigation for personal injury, but yeah, I think when we look at the product to be brought back, pharmacovigilance and potential risk that the product has for future litigation will be a factor of consideration.

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

Sameer Baisiwala: Just on the guidance, this includes the full year impact of URL and DUSA which was missing in fiscal '13?

Dilip Shanghvi: That is correct. We also have to consider the potential exposure in terms of pricing and other things before we take a long-term view about the overall market.

Sameer Baisiwala: You are referring to some of the one-off benefits that you have got in FY13?

Dilip Shanghvi: Which may not sustain, yes.

Sameer Baisiwala: And the second question is on DUSA, from versus Blu-U device being installed at roughly 3,100 dermatologists, where do you see this number going over the next 2 to 3 years?

Dilip Shanghvi: My understanding is that number is much lower than the 3,100 that you are referring to, but their historical performance has been adding some 300 to 350 new Blu-U users every year.

Sameer Baisiwala: And that will continue?

Dilip Shanghvi: Our effort would be to find a way to increase that. So effort will be multi-fold, we want to increase the potential users, potential number of cases that each of the user uses this treatment over



the other treatment, so that the overall size of the market that the product addresses, goes up from let us say 6% that it is today to a larger number.

Sameer Baisiwala: Why do you doubt this 3,100, because that has been disclosed by DUSA in its regulatory filings?

Dilip Shanghvi: I know, but some of this may not be active.

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

Bino P: If my understanding is correct, DUSA and URL have been consolidated for the entire quarter, right?

Nimish Desai: URL is for about roughly two months, and DUSA will be for the full quarter.

Bino P: So despite this consolidation, your margins excluding Taro, so the non-Taro business margin does not seem to have come down at all. So is it fair to assume that those two businesses are now not very far from your overall business margin?

Dilip Shanghvi: No, it is difficult to do mathematical calculation because say, this quarter our overall margin will be a function of which products we have sold, because we also have a flux in the kind of products that we sell every quarter. Some products we have very high margin, some products we have not equally high margin. So, my own understanding is that it will take us sometime before we can reach the kind of margins that we have in our existing business before we can reach that margin in URL business and DUSA business on a net basis.

Bino P: Second question, Taro had this settlement and contingency charges, \$22 million was there in 4Q and then apparently in 3Q or 2Q they had carved out partly from SG&A and put in that line item in the full year numbers. What does this pertain to? And is it one-off or some form of that can recur year-on-year?

Nimish Desai: It is related to some historic price-related litigation, and we cannot be sure whether this is recurring or non-recurring.

Dilip Shanghvi: My sense is that if there was a liability, Taro will disclose this in their filings. So, since there is no disclosure beyond these two, there is no current liability at this point of time. The future liabilities related to previous actions is difficult for us to predict.

Bino P: When you said historic, is it like before Sun took management control or post that?

Dilip Shanghvi: Previous to, I think these are historical figures.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: Just had a question on this India business demerger. Basically, how should we read into it, why that move? Is there a possibility of hiving off a part of it?



Dilip Shanghvi: No, there is no plan to hive off that business. But the plan is to focus on that business as a self-standing business unit so that we can focus and grow that business significantly faster than market.

Prakash Agarwal: But consolidation and spinning it off, does it really matter as a company?

Dilip Shanghvi: I think the idea would be to structure it as a self-standing business with its own resources so that it can be run as a business within business, decision-making process becomes faster and ability to respond to market requirement becomes quicker. So, the challenge for us, as we grow our business is that how can we remain responsive to market requirement and to customer needs in spite of our size.

Prakash Agarwal: Second question, you talked about US\$1.3 billion of cash. So Sun's balance sheet would have what, US\$750 million and remaining Taro would have?

Dilip Shanghvi: Yeah, approximately that would be the correct number.

Prakash Agarwal: So if you are looking for acquisitions, can we actually utilize Taro's cash?

Sudhir Valia: It is an independent company and it requires its independent directors' approval or shareholders' approval as the event maybe.

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

Nimish Mehta: Just wanted to know about any price increase in DUSA's product.

Dilip Shanghvi: No.

Nimish Mehta: And can you comment on the exclusivity on Januvia? Is it fair to assume that Sun holds FTF exclusivity on Januvia?

Dilip Shanghvi: It is far away.

Nimish Mehta: The expiry might be far away but what about the exclusivity, sir?

Dilip Shanghvi: Generally we do not comment on FTF. So I think we want to continue to remain that way.

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

Ranjit Kapadia: My question relates to capex of Rs.800 crores which you have said. And what is the guidance for the next year?

Dilip Shanghvi: That will be guidance for the next year.



Ranjit Kapadia: And where will it be utilized, if you can give some details?

Dilip Shanghvi: I think expansion of various manufacturing facilities.

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

Rahul Sharma: Just wanted some clarity on what URL numbers have been accounted in terms of dollars in the quarter and for the year?

Dilip Shanghvi: We do not break down the overall numbers of different businesses and all of that will come within the Sun US business.

Rahul Sharma: What was the revenue when you all acquired it on a standalone basis, the generic business of URL?

Dilip Shanghvi: It will not help you, but since it was a private company when we bought, we signed certain confidentiality agreements; we will not be able to disclose specific numbers.

Rahul Sharma: Is it upwards of \$100 million?

Dilip Shanghvi: We can go from upward of \$100 million to \$110 million or \$90 million and continue further, but I think it was not a significant business.

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

Sameer Baisiwala: After the FDA's response letter on SPARC's lead compound Levetiracetam XR, has there been a communication with the FDA and what could be the way forward?

Dilip Shanghvi: I think our regulatory people are discussing about the way forward, discussing options with them.

Sameer Baisiwala: Generally, in these cases, where there is a bioequivalence that has been proven in the fasted conditions but not in a fed, do you think the chances are bright for the product to finding it approved, looking at the past history of other such cases?

Dilip Shanghvi: Generally no, but there is no reason for not being able to pass the next study because you can always change the number of volunteers and you have a fair chance of passing the study, so that is one option.

Sameer Baisiwala: So both things stand, I think A), is this problem can be overcome by increasing the number of patients, but at the same time...

Dilip Shanghvi: That is one option, yes.



Sameer Baisiwala: But at the same time you are saying that if you look at the past, in history, with products with the same issues, they have not made a cut and they have not been approved.

Dilip Shanghvi: I do not think we have enough visibility on previous actions by FDA, but in this case I think that is their concern.

Sameer Baisiwala: Just one more question on Taro's number one product that's Nystatin and Triam combination. Have you seen Sandoz get back in the market, are you seeing them active?

Dilip Shanghvi: My understanding is that they are back in the market.

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

Sonal Gupta: Just one, in terms of the R&D side, you have given a fairly wide R&D range of 6% to 8% of sales. What does this pertain to? What are the areas in the US generic space that you think got sort of attractive? Taro is clearly pursuing the derma space and you have built a strong pipeline on the oncology side. Is there anything else that you think is attractive within there?

Dilip Shanghvi: We think there are many attractive things. Only issue is I cannot share it with you. So historically, I think we have never shared our filing plans for any future products. We do not talk and share product pipeline or our filing plans. The idea is that we do not want to build future valuation into current stock price.

Sonal Gupta: But just on the wide range on 6% to 8%, is there from clinical trials, etc. which could drive this up or down, is there something like that?

Dilip Shanghvi: I think complex products require large investments. So, that is the reason why I think some of the R&D investments keep on going up.

Moderator: Thank you. The next question is from the line of Alok Dalal from BNP Paribas. Please go ahead.

Alok Dalal: What is the tax rate guidance for FY14?

Dilip Shanghvi: I think there is no change in the overall tax rate for the company that we are expecting. I think current tax rate is around 18% to 20%. So that is what will continue.

Alok Dalal: Any update on the Protonix litigation?

Dilip Shanghvi: There is a trial starting from 3rd of June. It is a two week Jury trial and we expect judgment to be delivered soon after the trial.

Moderator: Thank you. The next question is from the line of Krishna Prasad from Kotak. Please go ahead.



Krishna Prasad: Just one question on one of the areas where you have been focused in the US, which is controlled substances. We have had a lot of effort in that area. From the next couple of years point of view, do we see any significant launches happening from this particular segment?

Dilip Shanghvi: We continue to work with objective of becoming an important player in the controlled substance business, but that business has a large number of operating bottlenecks in terms of company's ability to get additional quota. So it is a business which builds over time.

Krishna Prasad: It is a question of clearing the approval and then getting the quota. Given that we had spent some time in this market now, how do you view the opportunity there?

Dilip Shanghvi: It is an important opportunity for us to focus on.

Krishna Prasad: My second question is relating to Apotex tentative approval for Levetiracetam extended release tablet, the one gram tablet. And they seem to have taken ANDA route to get the tentative approval. Any thoughts around that?

Dilip Shanghvi: I think any product which is a higher strength product than the currently marketed product have an opportunity to be brought in both through a generic route or through 505(b)(2) route. They have followed a generic route. The difference would be that the approval timing for both the products will be different. There is no clock for the generic filing. There is a clock for 505(b)(2) in terms of timelines that within a certain number of months it needs to be approved.

Krishna Prasad: Given that there is a thought that SPARC would be the only player in this market. How do we see the scenario where more generics get into the higher strength in extended release tablet?

Dilip Shanghvi: I think we have not seen their products. We have to see the product and understand what is the size of that tablet and various other issues before we can comment on that.

Krishna Prasad: So you would think that the ANDA product would actually be a slightly variant of what we have?

Dilip Shanghvi: Can we stay focused on Sun products actually?

Krishna Prasad: Sure, okay, thanks.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from MP Advisors. Please go ahead.

Vivek Agarwal: My question is related to URL portfolio. URL has filed ANDA with Para-IV on Methasterone in 2003 and there is also Para-IV pay-for-delay litigation that is going on. So I just want to know whether URL is still seeking the approval of that ANDA or has it withdrawn?

Dilip Shanghvi: I think that product has been withdrawn.

Vivek Agarwal: And the average returns on overall cash that you have in the balance sheet.



Sudhir Valia: Generally between 8% to 10%.

Dilip Shanghvi: If it is in India. If it is internationally then it will be 1%.

Vivek Agarwal: Sun is conducting trial for Exenatide. So I just want to know whether it would be a substitutable product or you will file ANDA for that?

Dilip Shanghvi: That is our issue, we do not comment on future products, because that trial does not indicate that we have filed the product, we do not know what will be the outcome, so it is better for us not to talk of products which will potentially come very long in future.

Moderator: Thank you. The next question is from the line of Kiran Sharma from Anand Rathi. Please go ahead.

Kiran Sharma: Can you elaborate on the tax rate that is 22%, why it is less?

Sudhir Valia: We have all international accounts. It is a consolidated figure. So there are countries in which we got a lower tax, there are countries where we do not have tax burden on account of income not being enough. So there are various combinations which lead to this position.

Kiran Sharma: I am new to this field. Can you please explain your distribution footprint in US market, what are the efforts that you make in that?

Dilip Shanghvi: It is difficult to explain that on the call, but I think if you speak to Nimish, he will explain this to you.

Moderator: Thank you. The next question is from the line of Krishna Prasad from Kotak. Please go ahead.

Krishna Prasad: So just another question is really around the margins. I know you do not provide a specific guidance around that, but if you could just give us your broad thoughts on how you see the margins progressing for FY14?

Dilip Shanghvi: We want to make more money, so we will try, but I do not think we have any assurance or any predictability on how much we will make. We want to protect our current margin and find a way to be in that margin.

Krishna Prasad: But in the current assumption, are we looking at current margins to be sustained?

Dilip Shanghvi: No, I think that is the reason why we do not give guidance on margins. There are things which are not in our control. If you see, over the last so many quarters because of pricing flexibility, Taro margins have moved up in terms of both gross margin as well as EBITDA margin. Now, if there is a change in that the pricing that will change.

Krishna Prasad: My second question is around potential acquisitions. I know in the past you talked about US being the largest market for us and that will be the focus area. But if you could talk a little bit



about whether US brands in specific, large acquisitions in US brands, would that also fall under our sort of focus or how do we now view it given that now we have done one acquisition in US brands?

Dilip Shanghvi: We look at our ability to grow our specialty business in the US as an important opportunity.

Krishna Prasad: Our approach towards brand, has it changed? Have we have become more positive around this segment after DUSA, has there been any change in thought process?

Dilip Shanghvi: There is no change in the process, we always like branded business, and I think that is not the issue. The issue is that all businesses that we look at have to meet certain broad financial objectives.

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

Anubhav Agarwal: One question on Starhaler. Can you just update on the progress of this product so far? When I visit the chemist stores, I never find this product there.

Management: Where are you based?

Chunky Shah: Mumbai.

Abhay Gandhi: That is why you are not finding it, because we launched this in the month of May and we have launched it in select cities to get a feel of customers and Mumbai is not one of them. I think we are pretty optimistic about the product. The responses that we are getting from doctors are very good. I think in the next few months we will then probably roll it out pan-India.

Anubhav Agarwal: The money that Sun has paid to SPARC on Doxil, is that included in the other expenses line item?

Dilip Shanghvi: It would appear in the other expenses or it might appear in R&D expenses.

Sudhir Valia: That is intangible rights acquired. It will be asset.

Dilip Shanghvi: It is an asset-acquired acquisition.

Sudhir Valia: It will be amortized over a period of time.

Anubhav Agarwal: The entire amount paid to SPARC has no P&L impact, because my sense was it was...

Sudhir Valia: It will be amortized, as rights have been acquired.

Chunky Shah: So milestone and royalty whatever you pay...

Sudhir Valia: Royalty will continue to be a part of P&L.



Anubhav Agarwal: And that would be part of other expenses?

Sudhir Valia: Yes.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: Follow-up actually again on the India demerger piece. So just wanted to reconfirm, so there is no intention to do a partial stake sale there?

Dilip Shanghvi: No, is a very absolute term, but as on today that is not the purpose for demerger of the India business.

Prakash Agarwal: Again on acquisition side. We had taken shareholder approval and board approval for Rs.80 billion. So is there a possibility we use that in this current fiscal '14?

Sudhir Valia: It is an enabling request, and it will continue year after year as we are looking for acquisitions into the market.

Prakash Agarwal: So, partial could obviously be there or maybe a full, I do not know, maybe you can highlight?

Sudhir Valia: All these are enabling resolutions where it will be required only when do any acquisition, otherwise it will remain. So this approval is for a period and we may continue to revert...

Dilip Shanghvi: It is not possible for you to factor this into any of your calculations.

Prakash Agarwal: The point that I was trying to ask is whether we are looking for any large acquisition per se where we are positioning our India business to demerge, and then we have this enabling resolution of Rs.80 billion and the cash utilization. So I am just putting things into perspective?

Dilip Shanghvi: I think we are not very adventurous. So whatever we will do we will ultimately look at our ability to manage that business effectively and also meeting certain internal financial criteria.

Moderator: Thank you. The next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Just wanted to understand the situation on Reclast. I understand your plea on Zometa was probably not heard, but what is exactly blocking Reclast approval?

Dilip Shanghvi: I do not have an immediate response; I am not very familiar. Actually we do not comment on these things.

Girish Bakhru: But idea was just to get the clear sense whether it is just a 30 month delay or is it beyond 30 months?



Dilip Shanghvi: There may be some patent issues; there may be some settlement issues. I am not very sure if I have all the details to be able to respond.

Girish Bakhru: Just on the Topicort spray approval. Given that the ANDA approval has come now, the idea is to shift prescription from the cream and the other ointment-based formulation to spray, given that you may have competition in those formulations?

Dilip Shanghvi: It is a Taro product, so it is not good for me to respond, but my understanding is that generally the spray is used for areas which are not really easy to reach with creams and ointments. It is a relatively different product, but there may also be some switch from creams and ointments to spray because of more functional product.

Girish Bakhru: So market for this would be smaller right, is that the right assumption?

Dilip Shanghvi: There are existing sprays that can give you some idea.

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

Abhinav Chandak: I just wanted to know this 18-20% revenue guidance that you just gave, whether this factors in any inorganic sales as well or is it as is where the situation is?

Dilip Shanghvi: It does not factor inorganic growth.

Abhinav Chandak: As far as this generic Protonix is concerned, you said that this June 3rd there is some trial which is likely to begin within two weeks. So by end of June do we expect any judgment on the same?

Dilip Shanghvi: I am not a lawyer, so do not hold me to this, but I think there would be a judgment by end of June.

Abhinav Chandak: So you mean to say next quarter either we have this Rs.584 crores reversed or we have a bigger impact than this?

Dilip Shanghvi: That is correct.

Moderator: Ladies and gentlemen, due to time constraints, no more further questions can be taken. I would now like to hand over the floor back to the management for closing comments.

Nimish Desai: Thank you, everybody for joining us on this call. If any of your questions have remained unanswered I request you to please send them across to the Investor Relations Team. Thank you.

Moderator: Thank you. On behalf of Sun Pharmaceutical that concludes this conference. Thank you for joining us and you may now disconnect your lines.