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Sun Pharma reports strong quarter

Net Sales Rs.3482 crores, up 31%, Adjusted Net Profit Rs.1241 crores, up 56%

Mumbai, August 09, 2013: Sun Pharmaceutical Industries Ltd. (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE: SUNPHARMA, BSE: 524715) reported financials for the first quarter ending June 30th, 2013.

Highlights of Q1FY14 consolidated financials

- Net sales/Income from operations at Rs. 3482 crores, a growth of 31% over same quarter last year. Adjusted for the impact of one-time sales recorded in the domestic business in Q4FY12, which lowered Q1FY13 sales, the net sales have grown by 23% over Q1FY13.
- Branded generic sales in India, at Rs. 849 crores, grew by 44% over Q1 last year. Adjusted sales growth of the domestic formulation business, as explained above, is 11%.
- US finished dosages sale is US\$ 364 million recording a growth of 28% (in US\$ terms) over Q1 last year.
- International formulation sales is US\$ 81 million, and grew by 19% (in US\$ terms) over same quarter last year.
- EBITDA at Rs. 1531 crores grew by 26% YoY while EBITDA margins were at 44%, compared to 46% in Q1 last year.
- Recurring Net profit at Rs 1241 crores witnessed a growth of 56% over Q1 last year; resulting margin of 36%.
- Reported Net loss at Rs. 1276 crores, on account of a provision of Rs 2517 crores towards settlement for patent infringement litigation related to generic versions of 'Protonix'.

These results were taken on record by the Board of Directors at a meeting held in Mumbai today.

Dilip Shanghvi, Managing Director of the Company said, "All our businesses continue to perform in-line with our expectations. We remain focused on strengthening our existing businesses and developing a differentiated and specialty driven product basket. We also continue to review opportunities to expand and strengthen our global footprint."

India Branded Generics – Chronic Therapy Leadership

Sales of branded prescription formulations in India were at Rs. 849 crores, grew by 44% from Q1 last year, accounting for 24% of total sales. Adjusted sales growth for the quarter was 11%.

Sun Pharma is ranked 2nd and holds 5.1% market share in the Rs.72,000 crores Indian pharmaceutical market, as per June-2013 AIOCD-AWACS report. Based on SMSRC data for Feb-2013, 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.

10 products were launched in the first quarter.

The company has completed the process of transferring its domestic formulations business to Sun Pharma Laboratories Ltd., a wholly owned subsidiary.

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US Formulations – Strong performance led by Sun portfolio

Sales in the US were at US\$ 364 million for the quarter, up by 28%, accounting for 58% of total sales.

Taro recently posted overall sales of US\$ 153 million for Q1FY14, a decline of 4% from the corresponding quarter last year. Excluding the one-time charge related to price adjustments on contractual obligations, sales would have been higher by 10% YoY. Taro's Net profit for Q1 was US\$ 59 million.

During the quarter, Sun Pharma settled the ongoing litigation pending in the US District Court, District of New Jersey regarding Sun Pharma subsidiary's generic pantoprazole. Under the terms of the litigation settlement between Sun Pharma, and Wyeth, (now a division of Pfizer Inc.) and Altana Pharma AG, (now known as Takeda GmbH) the parties have dismissed all their claims. Sun Pharma will pay a lump-sum US\$ 550 million as a part of this settlement.

Sun Pharma had already provided Rs. 584 crores in Q2FY13 towards this liability. For the quarter ended 30th Jun-2013, the company has made a provision of Rs. 2517 crores towards the difference between total settlement amount and past provision.

During the quarter, Sun Pharma's subsidiary received a favourable verdict from the US Federal Circuit Court regarding its on-going patent litigation with Novo Nordisk for generic Prandin.

Rest of World – Growth traction continues

Formulation sales in rest of the world (ROW) markets outside of India and US were US\$ 81 million in Q1FY14 registering a growth of 19% (in US\$ terms). Excluding ex-US Taro sales, underlying sales growth in US\$ terms for Sun Pharma's business in these markets was 23% for Q1FY14.

Active Pharmaceutical Ingredients (API) – Focus on vertical integration

The API business continues to be largely used for vertical integration on key products. A cumulative of 243 DMF / CEP applications have been made, with 171 approved so far. External sales of API, accounting for a fraction of the total API production, reached Rs 193 crores in Q1FY14 with marginal decrease of 4% over the same quarter last year.

Research – Investing for future

Consolidated R&D expense for Q1FY14 was Rs. 205 crores, at 6% of sales.

In the first quarter, ANDAs for 4 products were filed. After counting these, and adjusting for filings that were dropped, cumulatively ANDAs for 453 products have been filed by Sun Pharma and Taro with the USFDA (as on June 30, 2013). ANDAs for 9 products received approvals in the first quarter, taking the total number of approvals to 320 (as on June 30, 2013). ANDAs for 133 products now await USFDA approval, including 19 tentative approvals. The above ANDA statistics exclude the discontinued/withdrawn products of URL.

The total number of patent applications submitted now stands at 791, with 503 patents granted so far.

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Earnings Call (07.00 pm IST, August 09, 2013)

The Company will host an earnings call at 07.00 pm IST on August 09, 2013, where senior management will discuss the Company's performance and answer questions from participants. This call will be accessible through an audio dial-in and a web-cast.

Audio conference Participants can dial-in on the numbers below
Primary number: +91 22 6629 0088
Secondary number: +91 22 3065 0088

Playback of call: +91 22 3065 1212 ID: #786742

Web-cast More details will be provided through our website, www.sunpharma.com

To participate in the audio call, please dial the numbers provided above five to ten minutes ahead of the scheduled start time. The operator will provide instructions on asking questions before the call.

The transcript of the event will be available at www.sunpharma.com. The playback will be available for a few days.

About Sun Pharma

Established in 1983, listed since 1994 and headquartered in India, Sun Pharma (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE:SUNPHARMA, BSE: 524715) is an international, integrated, specialty pharmaceutical company. It manufactures and markets a large basket of pharmaceutical formulations as branded generics as well as generics in India, US and several other markets across the world. In India, the company is a leader in niche therapy areas of psychiatry, neurology, cardiology, nephrology, gastroenterology, orthopedics and ophthalmology. The company has strong skills in product development, process chemistry, and manufacturing of complex API, as well as dosage forms. More information about the company can be found at www.sunpharma.com.

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