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2 June 2021.

National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai- 400 051

Scrip Symbol: SUNPHARMA

BSE Limited,
Market Operations Dept.
P. J. Towers,
Dalal Street,
Mumbai - 400 001

Scrip Code: 524715

Sub: Q4FY21 Earnings Call Transcript

Dear Sir / Madam,

Please find enclosed herewith a copy of the transcript of the Company's Q4FY21 earnings conference call, which we shall be uploading on our website after sending this letter to you.

This is for your information and dissemination.

Thanking you,

Yours faithfully,
For **Sun Pharmaceutical Industries Limited**

Ashok Indulal Bhuta
Digitally signed by Ashok Indulal Bhuta
Date: 2021.06.02 17:42:53 +05'30'

Ashok I. Bhuta
Compliance Officer

Corporate Participants

Dilip Shanghvi
Managing Director, Sun Pharmaceutical Industries Ltd.

Abhay Gandhi
CEO (North America Business), Sun Pharmaceutical Industries Ltd.

C. S. Muralidharan
Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

Kirti Ganorkar
Head (India Business), Sun Pharmaceutical Industries Ltd.

Moderator: Ladies and gentlemen, good day and welcome to the Q4FY21 Earnings Conference Call of Sun Pharmaceutical Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nimish Desai, Head of Investor Relations Team. Thank you, and over to you, sir.

Nimish Desai: Thank you. Good evening and a warm welcome to our fourth quarter FY21 earnings call. I am Nimish from the Sun Pharma Investor Relations team. We hope you have received the Q4 financials and the press release that was sent out earlier in the day. These are also available on our website.

We have with us Mr. Dilip Shanghvi – Managing Director, Mr. C. S. Muralidharan (CFO), Mr. Abhay Gandhi – (CEO – North America), and Mr. Kirti Ganorkar (CEO – 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.

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

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 and full year FY21. I hope you and your family are safe and healthy.

Let me discuss some of the key highlights:

Consolidated sales for the quarter were at Rs. 84,314 million recording a growth of about 4.4% YoY and a decline of 4% QoQ. Most of our businesses have done well over Q4 last year with India, EM and RoW businesses as the key growth drivers. We continue to focus on operational efficiencies and business continuity. For the full year FY21, sales were Rs. 331,392 million, recording a growth of about 2.5%. All of you will remember that last year's sales included a one-time special business in the US, which is not reflected this year.

All our other businesses have recorded growth for the full year despite the challenges related to the global Covid-19 pandemic. The major impact of the pandemic was felt in the first half of the year as many countries imposed a lockdown to counter the spread of Covid-19. The second half witnessed a gradual recovery as most countries lifted the lockdown restrictions in a phased manner. For Sun Pharma, the sales in the second half were higher by 8% compared to H1, EBITDA was up by almost 13% and adjusted net profit was up by approximately 17%.

Let me now update you on our global specialty business. For Q4, our global specialty revenue was approximately US$ 139 million across all markets. Specialty R&D accounted for approximately 23% of our total R&D spend for the quarter.

For the full year FY21, global Ilumya sales were at US$143 million up by about 51% over last year. We have recorded good growth despite the closure of doctor clinics in the US in the first half of the year, but supported by a gradual recovery in the second half.

Abhay will give you more details on the specialty business later.

I will now hand over the call to Murali for discussion of the Q4 financial performance.

C.S. Muralidharan: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q4 financials are already with you. As usual, we will look at key consolidated financials.

Q4 sales are at Rs. 84,314 million, up by 4.4% over Q4 last year. Material cost as a percentage of sales was 26.6% lower than Q4 last year due to product mix and other efficiencies. Other expenditure was at 30.2% of sales, lower than Q4 last year mainly due to lower selling and promotion expenses in US. As indicated in our past earnings call, these expenses will see an

increasing trend in future once the market situation reaches full normalization. Forex loss for the quarter was Rs. 107.8 million compared to a loss of Rs. 1,420.7 million for Q4 last year.

As a result of above, EBITDA for Q4 was at Rs. 19,568 million, up by 55.8% YoY with resulting EBITDA margin at 23.2% compared to 15.5% for Q4 last year.

Let me now briefly discuss the exceptional items for Q4.

Taro has made a US$80 million additional provision related to its ongoing multi-jurisdiction civil antitrust matters.

Further, in Q4, the Court of Justice to the European Union issued a final judgment and upheld the European Commission's decision dated June 19, 2013 that a settlement agreement between Ranbaxy (U.K.) Limited and Ranbaxy Laboratories Limited with Lundbeck relating to Citalopram was anti-competitive. Ranbaxy had made a provisional payment of the fine of Euro 10.3 million on 20 September 2013. Since there are no further rights of appeal, this amount of Rs. 895.6 million has been debited to the consolidated profit and loss account in Q4. There is no cash outflow related to this, as the amount was already paid.

Exceptional tax for the quarter is on account of recognition of deferred tax asset amounting to Rs.1,212.3 million arising out of the Taro settlement.

Excluding the impact of exceptional items and deferred tax, the adjusted net profit for the quarter was at Rs. 13,430.7 million, up 103% over adjusted net profit of Q4 last year. Reported net profit for Q4 was at Rs. 8,941.5 million up 124% YoY, while reported EPS for the quarter was Rs. 3.73.

Let me now discuss the key movements versus Q3FY21:

Our consolidated sales were lower by 4% Q-o-Q at Rs. 84,314 million.

Material costs and staff costs, at 26.6% and 19.9% of sales respectively, are flat over Q3FY21. Other expenses at 30.2% of sales are higher than Q3 mainly due to increase in SG&A across markets. We had a forex loss of about Rs. 107.8 million for Q4 as against forex gain of about Rs. 716.3 million in Q3.

As a result of above, EBITDA for Q4 at Rs. 19,568 million, was lower by 16.8% compared to Q3. EBITDA Margin for Q4 was at 23.2% compared to 26.8% for Q3.

Adjusted Net profit for Q4 at Rs. 13,430 million, was lower than the net profit of Q3 by about 27.5%.

Now we will discuss the full year performance.

The full year FY21 sales were at Rs. 331,392 million, a growth of 2.5% over FY20. Despite the nearly 10% sales de-growth recorded in Q1 due to the global pandemic, we have been able to recover sales growth in subsequent quarters and have achieved an overall positive growth for the full year. Also, as indicated in the past, the full year of last year included contribution from a non-recurring special business in the US and hence the YoY sales numbers are not strictly comparable. Excluding this one-time sales contribution for last year, the YoY sales growth is higher.

Material cost, as a percentage of the sales was 26.2% which was lower than same period last year mainly due to product mix and efficiency initiatives. Staff costs at 20.7% of sales were higher than last year mainly due to annual merit increase, addition of field force in India, impact from other regions and includes some currency impact also. Other expenses were at 28.6% of sales, lower than same period last year, driven mainly by reduced marketing, selling & distribution and travelling expenses across markets.

As a result of the above, the EBITDA for the full year was at Rs. 81,324 million, a growth of 25.5% over the same period last year, with resulting EBITDA margin of 24.5% versus 20% last year.

Excluding the exceptional items for both FY21 and FY20, and the non-recurring tax credit for FY21, the adjusted net profit for FY21 was at Rs. 59,317.8 million, up 47.4% YoY, with resulting net profit margin at 17.9%. Reported net profit for FY21 was at Rs. 29,038.2 million with reported EPS at Rs.12.1.

The Company has repaid debt of about US$ 580 million in FY21, the benefit of which is visible in the reduction in finance cost.

As of 31-March-2021, the ex-Taro net debt was about US$ 179 million.

Let me now briefly discuss Taro's performance.

Taro posted Q4FY21 sales of US$ 148 million and adjusted net profit of US$ 31 million. On a YoY basis, sales for Q4Y21 were lower by 15.3% while the adjusted net profit was lower by 42.6%. For the full year FY21, sales were at US$ 549 million and adjusted net profit was at US$ 141 million.

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

Kirti Ganorkar: Thank you Murali. Let me take you through the performance of our India business.

For Q4, sales of branded formulations in India were Rs. 26,709 million, recording a growth of 12.9% over Q4 last year. India business accounted for about 32% of consolidated sales for Q4.

For Q4, while the chronic segment continued to show steady growth, the sub-chronic segment witnessed a recovery. The acute segment is still facing some challenges due to lower incidence of infections and less patient flow to the doctor clinics.

For most part of Q4, we saw a normalizing trend and pharmaceutical companies had started spending on travelling, branding & promotion. Travel cost for MRs increased in Q4. However, there is some uncertainty now, given the significant increase in Covid cases on account of the second wave and lockdowns in many parts of the country.

For Q4, we launched 31 new products in the Indian market.

Let me now discuss our response to the Covid-19 pandemic. We had a multi-pronged approach to fight the pandemic. The steps that we took include:

1. Ensuring continuous supply of medicines to the patients.
2. Supply of multiple therapeutics used in treatment of Covid-19 like Remdesivir, Favipiravir, Itolizumab, Ivermectin and Methyl Prednisolone. We have also ramped up production of Liposomal Amphotericin B which is used in treatment of black fungus, a post-Covid complication observed in some patients. Sun Pharma was first company to develop generic liposomal products in India.
3. Donated Covid medicines and other items like PPE kits, masks, sanitizers, gloves, etc.

4. At the same time, we have entered into two different licensing agreement, one with Eli Lilly for Baricitinib and another with MSD for Molnupiravir to help alleviate the burden of COVID-19 in India.

Sun Pharma is the largest pharmaceutical company in India and holds approximately 8.2% market share in the domestic market as per March 2021 AIOCD-AWACS MAT report. For Q4, our market share was at 8.3% as per AIOCD-AWACS.

We also continue to remain the partner of choice for in-licensing of products, given our strong no. 1 position in many therapy areas, including therapies for treatment of Covid infection, coupled with our large distribution network.

I will now hand over the call to Abhay.

Abhay Gandhi: Thank you Kirti. I will briefly discuss the performance highlights of our US businesses.

For Q4, our overall sales in the US de-grew by 1.3% over Q4 last year to US$ 370 million, mainly due to decline in Taro sales as the market is not yet fully normalized. US accounted for about 32% of consolidated sales for the quarter.

Our specialty revenues in US have grown over Q4 last year, mainly driven by Ilumya, Cequa and Absorica LD.

For the full year FY21, the specialty business has grown over previous year despite the sharp reduction of sales in Q1 on account of the global pandemic. Growth drivers include Ilumya, Cequa, Absorica LD and Yonsa. As you may be aware, the generic for Absorica has entered the market in April and simultaneously we have also launched our authorized generic.

Doctor clinics have been open during the quarter although the situation is yet to fully normalize. However, compared to the first nine months of the year, the travel and branding & promotional cost increased in Q4.

Let me now update you on our US generics business.

As you all have seen, the US generic business continues to be competitive. The Sun ex-Taro generics business has recorded YoY growth driven by a combination of new launches, better supply chain management and incremental upsides from shortages.

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

Dilip Shanghvi: Thanks you Abhay. I will briefly discuss the performance highlights of our other businesses as well as give you an update on our R&D initiatives.

Our sales in Emerging Markets were at US$ 192 million for Q4, up by about 2.7% year-on-year. The underlying growth in constant currency terms was higher at about 5.3%. Emerging Markets accounted for about 17% of total sales for Q4.

Formulation sales in Rest of World markets excluding, US and Emerging Markets, were US$ 163 million in Q4, up by about 5.5% over Q4 last year. RoW markets accounted for approximately 14% of consolidated Q4 revenues.

API sales for Q4 were at Rs. 4,357 million, down by about 9.9% over Q4 last year.

Our R&D effort spans across both specialty and generic businesses and we continue to invest in building the pipeline for various markets including the US, Emerging Markets, RoW Markets and for India. Consolidated R&D investments for Q4 was at Rs. 5,571 million, accounting for 6.6% of sales. For the full year, R&D investments was Rs. 21,499 million accounting for about 6.5% of sales.

Our current generic pipeline for the US market includes 94 ANDAs and 9 NDAs awaiting approval with the US FDA.

In addition, we are evaluating development of some biosimilars which can be classified amongst the 3rd wave of biosimilars.

The Board has proposed a final dividend of Rs. 2.0 per share for the year FY21, in addition to the interim dividend of Rs. 5.50 per equity share declared on January 29, 2021.

And lastly on the guidance for FY22. Given the uncertainties of the pandemic in the near term, we are refraining from giving a guidance for FY22. However, all our businesses are well positioned and

our endeavor will be to grow the business, notwithstanding the near term uncertainties related to Covid-19.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: On the Specialty revenue in the quarter, there seems to be a moderation on a quarter-on-quarter basis, even though data shows good prescription traction, improvement. Some color on what drove the moderation please?

Abhay Gandhi: I think it's a combination of three factors, like I said on my last call, December, which is the end of the financial year in the US context, there is a higher buying. Also in Jan a lot of insurance resets in, patients change either the provider or the kind of insurance they have and then the verification process takes a little more time, and it goes into effect before really sales normalize. And the third I think which is also important for us to remember is that during the period of **(Inaudible)** pandemic situation in the US **(Inaudible)** into what we see today, really new cases over 300,000 almost **(Inaudible).** I am quite satisfied that we are well-poised to deliver on our overall objectives.

Neha Manpuria: One other question in specialty, if I look at your traction in Cequa, the market trend seems to have stabilized over the last few weeks and months. Is anything specific that we're seeing there now that US is open, are we not seeing enough traction on Cequa?

Abhay Gandhi: I think Cequa will continue to grow. And my personal sense is that doctors have accepted the product. The team is also now able to make a lot more face-to-face calls and participating in live conferences which, for a new company, I think is important to be able to maintain by your customers. I think that will help us. So, the initial phase for a newer product to be able to do this all in a virtual environment was a challenge. But it's gradually improving in the US. So, I feel pretty good about the product, Neha.

Neha Manpuria: So, you expect continued momentum on the market share front?

Abhay Gandhi: We certainly hope so.

Moderator: Thank you. The next question is from the line of Nithya Balasubramanian from Bernstein Research. Please go ahead.

Nithya Balasubramanian: My question is also on the US portfolio. So, the first one is on Taro. So, we've seen that for the last several quarters, it continues to contract both at the top line and the bottom-line level. So, just want to understand what is the outlook for the business. How do you see the shaping overall let's say the short to medium-term basis?

Abhay Gandhi: So, Uday in his calls on Taro has actually been speaking for this. So, on Taro I will not get into, but I can see that overall in the dermatology portfolio and market, there is definitely lesser patient growth even up to the end of the year. Taro, of course, has a lot of products which are either number one or number two with positive high market share and therefore, the pressure to Taro hold on to its market share is higher. So, I think, it's a combination of all this. But we recognize your point and I think task for us as a company is to try and find ways to grow the Taro business as well.

Nithya Balasubramanian: So, I think all of us are hoping that things will hop back to normal at some point of time and I think you also commented that clinics have started operating. So, if COVID is not a factor anymore, do you continue to see this as a business will continue to shrink, because prices keep eroding, because the commentary we heard from Taro as well was that the environment is not great. Do you see that resolving at some point of time?

Abhay Gandhi: So, I will speak to the dermatology segment. Even today I read different reports and different reports obviously will quote numbers. But I think the maximum number that I see of patient footfalls recurring to doctors' clinic in derm is around 70%. So, that is the addressable market now in terms of patient visits to doctors in the derm space. So, that's a challenge that businesses will continue to face. And we hope going ahead the situation will improve because of the higher rate of vaccination in the US and certain loosening up of social distancing norms, which are now taking place, but that's ahead of us.

Nithya Balasubramanian: I think Levulan was a bit of a drag in FY21 for the same reasons. So, now that again, volumes are picking up and patient footfalls are increasing. Is that likely to become a meaningful contributor again?

Abhay Gandhi: So, I clearly saw a little bit of an uptick in the fourth quarter as compared to the previous quarters. And going ahead, of course, if the situation normalizes in terms of elective surgeries and procedures, then I think Levulan should pick up. But will it happen? I think is anybody's guess, I mean, the situation is fluid, not just in the US, but I think globally.

Nithya Balasubramanian: I have one last one on biosimilars. It is briefly mentioned in the opening remarks. If you can throw some color on what you meant by third wave, are you looking at it more as a portfolio which is support your specialty portfolio, or is it a standalone business that you're trying to develop?

Dilip Shanghvi: I think we're looking at products which have significant future patent expiry dates so that we can be amongst the first approvals. That's the focus and priority. And that's not the only, there are multiple priorities, and also finding a way by which we can leverage our presence in market so that we can successfully build a biosimilars portfolio.

Nithya Balasubramanian: Can we take that to mean it's beyond 2028, 2030 timeframe, that's the kind of launch dates you're looking at?

Dilip Shanghvi: That's correct.

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

Prakash Agarwal: Just wanted to understand the scale up in R&D from here. Given that we have started additional trials, so, how do we think the R&D and other expenses going forward for the year '22 and '23?

Dilip Shanghvi: So, they will gradually go up. Two things will happen. One is, total R&D expenses will go up and within that the percentage of the money spent on innovative R&D also is likely to go up. Since we're not giving any specific guidance, but generally we've tried to keep our

R&D spend let's say 8% to 9% of our turnover. This year because of the significant disruption in the clinical studies, the clinical trials spend this year was much more subdued than what we would have liked it to be.

Prakash Agarwal: Do you have some color on other expenses in terms of the scale-up is largely done in terms of specialty or when do you see the impact of lockdown and pandemic going down, it will again come up?

Dilip Shanghvi: So, general guidance is that what you see as a significant reduction in the marketing spend in all markets is likely to go up. We will try and see that we don't go back to the previous percentage spend, but in some markets that may not be possible. For the US, maybe Abhay can respond.

Prakash Agarwal: Second question on Absorica. As you said, April, we have started to see competition. Since it's a single player entry, have you seen a bigger impact or very marginal impact?

Abhay Gandhi: We don't have clarity because this was launched only towards the end of April…. even May has not closed for me, so, difficult to assess impact, fingers crossed and watchful of what is likely to happen. However, having said that, we also launched our own authorized generic and we have locked up a few customers whom we have targeted for our share of the market.

Prakash Agarwal: Despite the competition in Absorica and AG coming in, which I assume would be in your base US base business. The question is on the growth guidance. Well positioned to grow across business segment on the backdrop of the Absorica generic competition coming in.

Abhay Gandhi: If I understand you correctly, I think that will take **(Inaudible)** business growth despite the competition we have in Absorica. Is that the question? That's the plan and that's how we are approaching the whole issue. ABSORICA is one of the products that we have in this specialty businesses. There are avenues and opportunities for us to find ways to grow in other products. And, of course, as an organization you also have to be always looking at another maybe opportunity. So, that we will continuously evaluate and keep our eyes open and grab opportunity that comes our way.

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

Sameer Baisiwala: First question is on ILUMYA. Can you share some color on the repeat prescribers and repeat patients in this, how is the underlying dynamic?

Abhay Gandhi: It's a great question, Sameer, to be honest, but I really do not have that kind of granular details, because it is not as simple to get that data… and even if we get, it's quite expensive. So, in the recent past, internally, we have tried to do our own kind of modeling and made assumptions and trying to come to a certain picture. Even now to be honest, Sameer, it's quite sketchy as far as I'm concerned, and a lot of assumptions go into it. So, for me to give you an answer would never really be correct. So, I'm not trying to sidestep your question, Sameer, but I wish I had that would have made my life much easier, but I don't, that's the fact.

Sameer Baisiwala: What will get you to next incremental $100 million on this product in the US? I'm thinking is it the mining of the current prescribers or do you think you still need to go out and get more and more doctors in the fold?

Abhay Gandhi: As far as I am concerned, it will be a combination of three things, and I think one of the most important things is not mining of customers but mining of data that we have on the product and be able to continuously communicating something new to the customers, which keeps the interest alive as far as they are concerned in our conversations with them. So, I think that's the first and most important thing as far as I'm concerned. The second is continuous involvement of key opinion leaders to give us podium time and speak favorably on the products. And third, of course, is a combination of both mining of existing customers as well as expanding the prescriber base. So, think it's all of these put together and therefore I think execution by the team on all these fronts becomes so much important.

Sameer Baisiwala: Can you just update us on Halol, any tentative timelines over there and how should we think about new launches until Halol opens up?

Dilip Shanghvi: So, I think as we have shared with you in the past, I think we are waiting for the agency to inspect, we have requested for an inspection. Now, I think it's up to them to inspect the facility. And hopefully this time we should be able to clear it successfully, that's the focus. As I said

in the beginning that we expect all our businesses to do well and grow. So, we are also expecting the generic business in the US also to grow. And that's based on the visibility that we have with approvals that we can expect. So, in case when Halol gets approved during the year and if we get new approvals, that would potentially add to our planned approvals.

Moderator: Thank you. The next question is from the line of Damayanti Kerai from HSBC Securities & Capital Markets. Please go ahead.

Damayanti Kerai: My question is on ILUMYA trial for another indication for arthritis. So, we understand COVID has disrupted the progress. But can you provide where we are in that indication studies? And when we are expecting to complete the Phase-III and do filing?

Dilip Shanghvi: I think we got affected at two levels; one is because the patient footfall in the clinics which we had already started as a clinical trial site, had come down, so their ability to recruit patient had come down; and second was the CRO's ability to start multiple new sites and that also got affected. Hopefully, we've seen some pick up in starting new sites in last few weeks and hopefully that should help us during the year. But in this uncertainty related to the recruitment, difficult to give you any kind of specific timeline for completion of the enrollment, because I think you have to first enroll the subjects and then the subjects we have to monitor for a year.

Damayanti Kerai: On specialty spend, so some clarification there. So, in earlier communication you have indicated that we have broadly optimized DTC and other marketing costs for key specialty brands and you also commented with US market opening up, we expect these costs to go up. So, how should we look at the specialty spend over next few quarters?

Abhay Gandhi: Answer would be I think sort of what Dilipbhai said a while ago. If I look at current trends, I think with more and more doctors allowing in-clinic visits and some of these virtual conferences going back to being face-to-face and live, cost will increase. However, we'll make every attempt to see that we don't go back to the original level. But in a fluid pandemic situation that as a company and as a team we need to be constantly agile and nimble to be able to make change in decisions very rapidly if we have to.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: My first question is on the US. Is it fair to believe US portfolio to be seeing a kind of profitable growth in FY'22 driven by at least two factors, one is that kind of a steady progress what we are witnessing on the specialty front and the second part would be possibly bottoming out of the Taro's operating performance, what we have already seen in the recent past, because what you mentioned of course it is correct that the prescription trend seems like almost down 29%, 30% in last entire one year period due to COVID in the derma side in the US, but it seems that Taro has significantly outperformed that because that is kind of a prescription trend, so is my understanding correct that we could see driven by this two large component of the US sales, TARO as well as the Specialty, we see a kind of profitable progress on the US business front?

Abhay Gandhi: So, Taro standalone, when you see the results they are already a profitable business. And as far as Sun is concerned, we haven't given business line wise profitability numbers. So, difficult to answer your question. You are in business at the end of the day to be running a profitable business and that's the objective for any given business.

Surya Patra: My point basically was obviously, we'll see a sequential volume growth with opening of the US market, but will that be along with the margin expansion in that market, so basically that understanding I wanted to have by the word profitable progress?

Abhay Gandhi: I think my answer remains the same, I mean, that's the objective to increase your margins as you go along. But specific business wise we don't give the breakup. So, that's the most I can do on this call.

Surya Patra: Just kind of additional point on this, generally, what it was understood that the specialty spend was elevated obviously in the initial period of the launches. Having seen kind of ramp up, we possibly have to curtail the DTC kind of activities for ILUMYA, although there was a kind of additional DTC activity for CEQUA, but generally it was understood that the overall specialty spend should see a gradual correction from the elevated level of let's say FY20. So, are we on that front seeing a kind of declining trend although we will see some kind of a normalization in the overall SG&A cost front?

Abhay Gandhi: I understand. So, I've said this in my earlier calls as well, we are now more or less optimized what we need to spend for each product group or a BU. And I think we are comfortable

with where we are and with the expansion of the increase in the top line, therefore, I think margin should definitely improve.

Surya Patra: Do you see COVID is a kind of opportunity in any manner for Sun Pharma?

Dilip Shanghvi: Kirti can respond faster, but there is a short-term increase in the business for products which are specifically used in COVID. As on today, I think we're not in vaccine manufacturing or distribution business and we haven't announced anything as yet. So, I think Kirti maybe you can respond.

Kirti Ganorkar: What I was saying is we have launched a couple of new products for the treatment of COVID which includes product like Remdesivir, Itolizumab and Favipiravir. And last year by the time we launched the product in the first wave, by the month of November, December, number of cases were reduced. And then in the second wave from March and April, the number of cases has increased. So, we will get some short-term benefit in next financial year. But at the same time, we have good number of COVID portfolio products with us which are being used off label and they're doing well in coming quarters. So, there are products which will give us some benefit but it would be a short-term and we don't know how long this second wave will last.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Just would like to understand on the biosimilar front, what kind of investment are we resurging over next three to four years on the product development side and subsequently on the manufacturing front?

Dilip Shanghvi: I don't think we have crystallized this in specifics to be able to respond, but as I see our overall R&D spend, for us to be able to take care of biosimilars both in R&D as well as in our annual CAPEX for upgradation, new capacities and brownfield to create additional capacity for biosimilars. So, it shouldn't be a big drain either on our cash flow or on our probability.

Tushar Manudhane: So, previously we were restraining from getting into biosimilars because of the regulatory or lack of clarity on the regulatory front. Now that is there, but at the same time we have seen experiences of other companies like biosimilars also having considerable price erosion in

addition to spending significant amount on the development as well as on the manufacturing front. So, still do you see this as a good opportunity over next four to five years?

Dilip Shanghvi: I think so because depending again on the product and when you enter the markets, I am expecting that overtime with familiarity and confidence that doctors will develop on the biosimilars, we will see increasing percentage of patients being treated with biosimilars.

Moderator: Thank you. The next question is from the line of Sayantan Bhowmick from Pinebridge Investments. Please go ahead.

Sayantan Bhowmick: Just wanted to understand, we recently invested in this company called ABCD Technologies along with a few other companies. So, if can you just give us a thought process on this investment and what do we intend to do with this? And secondly, if you could just elaborate our effort on ESG and how the company has supported the community during this second wave?

Kirti Ganorkar: As indicated in our announcement regarding developments, some of the large pharma companies have come together to form ABCD Technologies which will further invest in digitalization to make the distribution of pharma product more efficient, that is the objective. Over a period of time, it will result in a better inventory management and ensuring that the pharma products are available to patient at the right time and at right place.

Sayantan Bhowmick: Will this be some sort of competitor positioning compared to some of the online pharmacies, is that the intent or is it just purely a back-end optimization?

Kirti Ganorkar: It's more to make the supply chain more efficient.

C. S. Muralidharan: On the ESG related front, we are working on both the sustainability on the ESG which of course cover the energy, water, other related aspects of the GRI standards. And we will be coming off with the first edition of our initiatives and the report, duly assured along with our annual report in this financial year, both on the sustainability, the detailed reporting will be done by us.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one on the India business. If you can just tell us about the field force maybe the PMPM as it stands today in terms of the number and where do you think this can actually trend going forward as well as the productivity that you are listing, I think you put it out in the presentation, so just wanted an update on this from a fiscal '21 perspective?

Kirti Ganorkar: As we discussed in our last call during the last Jan to March, we have expanded our field force and we have added about 1,000 people in the field, which includes medical reps and managers. So, now we are in excess of about 10,000 people which includes everyone in the field right from medical rep to all the managers put together. So, since we have added the field force last year and then we entered into pandemic on Q1 and Q2, the performance in the first two quarters was not up to the mark and the field force was also new, they were to visit to the doctors and that could not happen. But from Q3 and Q4, this new field force could visit the doctors and develop certain relationships. So, generally, we don't give our PMPM, but what I can say, our PMPM due to expansion was almost flat or slightly lower than what it was in the last financial year. But more important is now this field force is well settled, so in the coming financial year '21, '22, we think that we will get a benefit of our expansion and our reach to the doctors, we'll also see the improvement in PMPM and productivity.

Shyam Srinivasan: Second question is on capital allocation priorities. This year looks like we have used some of it towards reducing our debt level, if I picked up the number right ex-Taro is like 170 million or so. So, how should we look at fiscal '22 in terms of capital allocation? And also a related question on what is the CAPEX for fiscal '21 that was reported and what are we looking at for next year?

C.S. Muralidharan: So, in terms of the capital allocation, as we have maintained in our previous earnings call, our endeavor will be also to become debt-free at gross level ex-Taro. So, the 179 million, what we talked about which is standing the net debt at overall gross level, our endeavor is by March '22 we will continue to wind down the debt, and at the same time with the cash what we have the leverage we have, definitely for the growth of the business, we will be open to investments if any opportunities or attractive for growth profitable business. Average in terms of each year overall CAPEX we do about US$ 200 million plus across various geographies. But this year, we have worked almost below number, it will not be much very high.

Moderator: Thank you. The next question is from the line of Krishnendu Saha from Quantum AMC. Please go ahead.

Krishnendu Saha: I just had a couple of questions. We talk about Cequa, we talk about Absorica LD, but we don't talk about Sprinkle family. Are they not significant enough, or we don't spend much of marketing spend behind them, what is the thought there, how do you see that portion of the fourth quarter will be, we don't talk about anything about sprinkle launch as we mentioned in annual reports. So, just wondering how to think about that please?

Abhay Gandhi: It's a niche segment and the idea of having this product to look at a very specific niche area and especially within that patients who have Dysphagia. So, none of the products individually will be very, very big products. Our dream will be a decent meaningful range when everything comes to market and these are coming in tranches and phases, so not everything at one time. So, it's a small part of our business, but it's an interesting area to be in because we are doing something which is needed by the patients in the long-term care centers and those who cannot swallow their medication. So, I personally like that segment not for the dollar value but because of what it does for elderly patients.

Krishnendu Saha: It is to be promoted or…?

Abhay Gandhi: Yes, these are promoted group of products to the doctors.

Krishnendu Saha: We have this GLP trial on that normal scheme of the specialty product. How does this fit in? We are going to do via derma, via ophthalmologist so where does this fit in the whole scheme of things say in our trials another two years out if comes out, good and the data was out in the diabetes patient. So, how do we see this product going ahead?

Dilip Shanghvi: Clearly, in India and emerging markets, we have presence in diabetology and cardiology, so this is interesting. For large markets like US, Europe, as well as other regulated markets, we will look at options for licensing it to somebody because it's a product that will require a large field force in excess of 1,000 people and that's not the plan for us. So, our objective would be to develop it at up to a level and then look for a licensing partner. I can only say that early readout that we are getting in the clinical trial in terms of everything… in terms of weight loss, in terms of triglyceride reduction, as well as in terms of potential effect on HbA1c, but it's very limited

because these are all healthy subjects. So, we are quite excited with the profile that the product has demonstrated.

Krishnendu Saha: Just one last clarification. The reason I ask this because we launched ILUMYA in Japan. The dollar revenue has been going down. Is that affecting meaningfully, or it is because of other reasons that RoW or will take some more time, the last time you did speak about it will take a couple of more months or a year to get the whole hospital business in Japan done. So, can you throw some light couple with the fact that RoW revenue is going down and maybe just thought process? The reason I ask Japan is because the dollar revenue was going down from 178 to 173, 153 in spite of us launching product in Japan. So, is it going to take more time or has the product not picked up in Japan, I'm just trying to understand a couple of the ROW numbers if I'm thinking of correctly?

Dilip Shanghvi: I think introduction of a product like ILUMYA in Japan will not be a huge impact in the first initial period of launch. So, you should not look at the first quarter impact of the product in terms of sales. We believe that over time it will become important and meaningful part of our business in Japan, and that's the focus. In, the overall rest of the world market, Japan is an important component, but there are many other geographies which are also important in terms of size.

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

Nitin Agarwal: On the US business, two parts; one is on the generics side. If you take two to three years view broadly speaking, is the large end of our growth in this business largely contingent upon the approval that we get from Halol or there are other drivers in the business possible? What I'm just trying to understand in terms of when you look at the generic business, what is going to be the driver, if it's going to be new product launches, is it largely going to be the Halol driven portfolio…

Abhay Gandhi: I think new product launches clearly are important to be able to continue to find ways to grow the business. And if you see despite Halol not having been inspected, in the financial year, we were able to launch around 18 new products and also a few relaunches. So, there are

different avenues by which we will be able to bring out new products from different facilities. It's not only Halol dependent.

Nitin Agarwal: Secondly, Abhay, on the US specialty business, again, take a broad brush two-to-three-year view, is it fair to say that the current portfolio of products that we have will largely continue to drive growth for us or there are possibilities of product portfolio additions meaningfully contributing over this timeframe?

Abhay Gandhi: First of all, I think the current portfolio that we have, we can still optimize and do better and there is clearly headroom for us to grow with the current portfolio. And in addition to that, as I said earlier in response to one of the questions, any company which wants to grow in the long-term will continue to look at opportunities to develop its business and look at any inorganic way of growing the business. So, it's a combination of both. But clearly, the products that we have in the basket today have a lot more headroom to continue to grow.

Nitin Agarwal: Lastly, you mentioned about the vaccine. We aren't doing anything on the vaccines currently. But just from a capability perspective, do we have capabilities to do drug substance manufacturing or given the rate sensitive manufacturing as well, are there any capabilities inherent in our network to work on this?

Dilip Shanghvi: I think our preliminary assessment indicates that vaccines will require a dedicated manufacturing facility and it cannot be produced in a facility where we are making multiple other products, in addition to the specific different design for those facilities, depending on the type of vaccine that you are producing. So, that's broadly our understanding. So, we currently don't have any facility which we are looking at for producing vaccine.

Moderator: Thank you. The next question is from the line of Kunal Randeria from Edelweiss. Please go ahead.

Kunal Randeria: Sir, first is on CEQUA. There could be a likelihood that there might Restasis generic maybe later this calendar year. So, I'm wondering if you could share thoughts on how this potentially could affect CEQUA uptick?

Abhay Gandhi: So, we still have no visibility on when the generic **(Inaudible),** it would have been launched over year and a half, two years ago also but we haven't seen. So, to put a timeline to it and therefore look at a preemptive situation is pointless, because we don't know when it's going to get launched.

Kunal Randeria: My second question is I was saying Absorica going generic now and obviously becoming cheaper, do you see this market expanding at the cost of Teva and Mylan brands…?

Abhay Gandhi: Personally, I don't believe so because Isotretinoin is used in situations moderate to serious. Of course, generally, they use other options before they go into Isotretinoin. **(Inaudible)** of Absorica, I don't think the market really will expand, that's my view though.

Dilip Shanghvi: Abhay, what I understand he's asking is that whether the overall share of Absorica or Absorica generic in the Isotretinoin market which…?

Abhay Gandhi: My answer was in the same length, If I look at the value of the TRX, whether it's a brand use or a generic use, will the number of TRx for Isotretinoin will increase because there are generics available, I don't really believe so.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to Mr. Nimish Desai for closing comments.

Nimish Desai: Yes, thank you, everybody, for taking time out to join this call. If any of your questions have remained unanswered, please do send them across and we will have them answered. Thank you and have a good day.

Dilip Shanghvi: Thank you.

Abhay Gandhi: Thank you.

Moderator: Thank you. On behalf of Sun Pharmaceutical Industries Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.