



## **Corporate Participants**

### **Dilip Shanghvi**

Managing Director, Sun Pharmaceutical Industries Ltd.

### **Sudhir Valia**

Whole time Director, Sun Pharmaceutical Industries Ltd

### **Abhay Gandhi**

Executive Vice President, Marketing, Sun Pharmaceutical Industries Ltd



**Moderator:** Ladies and gentlemen, good day and welcome to the Sun Pharmaceutical Industries Limited Q4 FY12 Earnings Conference Call. As a reminder, 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. If you should need assistance during this conference call, please signal an operator by pressing '\*' and then '0' on your touchstone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Mira Desai. Thank you, and over to you ma'am.

**Mira Desai:** Thank you, Marina. Good morning and a warm welcome to our fourth quarter and full year 2011-2012 earnings call. I am Mira from the Sun Pharma Investor Relations team. We hope you have received our Q4 and full year financials and press release that we sent out yesterday. These are also available on our web site. Today, we have on this call Mr. Dilip Shanghvi – Managing Director, Mr. Sudhir Valia – Whole time Director; Mr. Abhay Gandhi, Executive Vice President, Marketing whom many of you know. Together, they will discuss performance highlights, update on strategy, and respond to any questions that you may have. As is usual, for ease of discussion we will look at consolidated financials.

Just as a reminder, this call is being recorded and the replay will be available for the next few days. The call transcript will also be put on our website shortly.

Just to remind you the discussion today may include certain forward-looking statements and these must be viewed in conjunction with the risks that our business faces. I request all of you to kindly send in your queries that may remain unanswered today. I will now hand over this call to Mr. Dilip Shanghvi.

**Dilip Shanghvi:** Welcome and thank you for joining us today for this earnings call after the announcement of financial results for the fourth quarter and full year of 2011-2012.

First, a few special mentions. I'm glad to announce that Mr. Israel Makov has joined the Board of Sun Pharma as Chairman. Mr. Makov needs no introduction to anyone familiar with global pharmaceutical industry. He is responsible for Teva's success under his leadership. As Sun Pharma continues to rapidly expand its presence worldwide, I am sure that we will benefit immensely from his experience.

In response to the critical shortage of the cancer drug Doxil, Doxorubicin Hydrochloride Liposomal injection, USFDA took proactive steps needed to increase available supply for patients in the US. Under USFDA's exercise of enforcement discretion, USFDA identified Sun Pharma's Lipodox, a product available to patients in India for close to a decade now, for importation into the US. USFDA anticipates that this temporary incoming supply of Lipodox will be able to meet patient needs.

In a landmark judgment for generic companies earlier this year United States Supreme Court had ruled in favor of Caraco in its patent litigation against Novo Nordisk over Caraco's generic version of branded repaglinide tablets. In our view, this decision will help all generic companies prevent brand companies from improperly delaying or preventing the marketing of generic drugs by misrepresenting their patents to the USFDA. We will market the product once we receive the final approval of our ANDA.

Now, back to business as usual. Mr. Valia will outline financial highlights and then Abhay will cover some of the operational performance highlights, I will then talk about R&D and several other developments.



**Sudhir Valia:** Thank you, Mr. Shanghvi. Good morning to everybody. Our fourth quarter and full year financials are already with you. Before I get into the financial highlights, a quick reminder would be appropriate. As you are aware, Taro's consolidated financials have been included from 20<sup>th</sup> September 2010, or 2010-11. That is two quarters and ten days last year, and these are reflected for the entire year for 2011- 2012.

I also will discuss here four one-off events, short-term phenomena which strictly speaking may not be repeated, which are included in our numbers this year. Owing to certain changes in distribution, our India sales include a component of approximately Rs. 180 crores of additional sales this year in the fourth quarter. This may negatively impact our India sales in the first half of financial year 2013.

Then we made sales of Lipodox to the US, as Dilipbhai just mentioned this added to the revenue, but may not be sustainable.

The third impact comes from Taro. Over the last year Tara has consistently shared in its press releases that significant portion of their net sales and profit growth was on account of price increase on select products in the US. This in Taro's own view, is also not sustainable.

The fourth and the last, one-off impact on the revenue and profit is currency related. Everybody knows that dollar is at a significantly higher rate in 2011-12 than 2010-11. We request you to take care when you compare financials for the fourth quarter and full year with those for the corresponding quarter and the last year.

As usual we will look at key consolidated financials. First, for the quarter and then for the year.

Q4 net sales are Rs. 2330 crores, an increase of 59% over Q4 last year. Material cost as a percentage of the net sales is at 21%, which is similar to that of Q4 last year. Staff cost as a percentage of the net sales is 14.9%, significantly lower than that for the same quarter last year, primarily on account of higher non-recurring sales. Other expenditure as a percentage of the net sales is at 24%, marginally lower than that of the specific quarter, substantially lower than for the same quarter last year.

As a result of the above, EBITDA margin achieved during Q4 equal 41%, substantially higher than that of the fourth quarter last year. Net profit margin is at 35%, is significantly higher than that achieved in Q4 last year. This is partly on account of one-offs mentioned earlier. On fully diluted basis, EPS is Rs.7.90, higher than Rs. 4.30 for the same quarter last year.

Now, we will move on to the comparison for the year. For the year, net sales is at Rs. 8,006 crores, an increase of 40% over the last year. Material cost as a percentage of the net sales is at 21%, which is lower compared to the previous year. Staff cost for the year is 15% of the net sales which is marginally higher than 14% in the previous year. Other expenditure is 24% of the net sales, lower than last year, primarily on account of higher non-recurring sales.

As a result of the above, EBITDA margin achieved during the year is at 41%, substantially higher than that achieved in the previous year. Net profit margin is at 32%, is comparable to that of the previous year, even after factoring in higher tax and minority interest. On a fully diluted basis, EPS is Rs.25, up from Rs. 17.50 for the previous year.



As most of you have tracked, Taro recently announced its Jan-March financials. Taro has reported Q1 2012 net sales of \$145 million, an increase of 35% over the same period last year. Net profit of \$47.3 million was significantly higher compared to the last year. Taro has repeatedly indicated that this improvement in the sales and the profit is pricing strategy-led and may not be sustainable.

I will now hand over to Abhay Gandhi who will share operational highlights for our India business.

**Abhay Gandhi:** Thank you Mr. Valia and good morning everyone. I will take you through the India formulation business. Reported sales in Q4 is Rs. 877 crores, reflects a growth of 49% over Q4 last year. Sales for the full year is Rs. 2915 crores, depicting a growth of 22%. Excluding the impact of the non-recurring sales, growth in the core business is 21% for the quarter and 20% for the year. This is more or less in line with our expectations.

According to AWACS, we now have a market share of about 4.6% for the 12 months to April 2012. In all during the year, we launched 22 products across different therapies. In a first for Sun Pharma, this year we licensed in our first products, the two antidiabetics; Istavel and Istamet and they have done reasonably well in the market.

Overall, we continue to be ranked No. 1 by share of prescriptions with six key doctor specialities, namely Psychiatrists, Neurologists, Cardiologists, Orthopaedics, Ophthalmologists and Gastroenterologists.

In an intensely competitive market, we continue to be focused on productivity. We recently added two more marketing divisions in our existing therapies as we continue to build chronic market growth and add prescription share across segments.

With this I'll hand over to Dilipbhai.

**Dilip Shanghvi:** Thank you, Abhay. I will briefly touch upon two remaining business areas; API and rest of the world markets. We are excited by the opportunity to build a robust branded business in emerging markets and continue to look for innovative ways to address its challenges. At constant dollars, our rest of the world growth is 40% for the Q4 and 34% for the year. I believe this is a fraction of what is possible in these markets.

Even as we continue to use most APIs for captive use, overall API sales registered a growth of 18% for the year. We continued to add to pipeline and scaled up 8 APIs. APIs have helped us stay competitive internationally and we continue to file drug master files and CEP and have 154 approvals out of 225 filings.

R&D expenditure for the quarter was Rs. 135 crores, equivalent to 5.8% of sales. And this expense supported decent pipeline build up across the company both for generic and branded generic business; API and dosage forms. This spend also enabled us to file for patents. Our patents taken together with Taro's have now reached 559 filings with 276 patents granted. For the year, R&D expenditure was Rs. 445 crores which is 5.6% of sales. In absolute terms, R&D expense was up by 34%.

There was a reasonable ANDA pipeline build up during the year. Now, we have 250 ANDAs approved out of the total of 397 products that we have filed with USFDA, and 147 are awaiting approval.



One development we have shared previously is related to the litigation of generic Protonix. As all of you know we had launched at-risk launch generic Protonix after Wyeth launched an authorized generic in January 2008. Earlier this year, Wyeth submitted to the court confidential expert reports claiming damages against Sun Pharma and Teva. Wyeth's experts have estimated the purported damages for Sun Pharma to be \$960 million. We believe that we have sound reasons to disagree with this overstated claim, and also continue to believe that the patent is invalid and unenforceable. We will pursue all available legal remedies including appeals.

For the year 2012, we had guided for 32 to 34% growth which had factored in currency movement. We have reached these growth numbers. For the financial year 2013, consolidated sales growth guidance is 18 to 20% at constant rupee/dollar exchange rate. I would expect capital expenditure to be around Rs. 500 crores both at existing sites where we may add capacity and at new sites. I would expect the tax rate to be higher than what it is currently but less than 20%. R&D expense is estimated at 6 to 8% of net sales towards building a strong product pipeline for the global market. We expect to make 25 ANDA filings for the US this year.

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

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from Prakash Agarwal from RBS. Please go ahead.

**Prakash Agarwal:** On the question on domestic formulations, you launched around 22 products this fiscal, but if I see last three years the launches have been around 40 products every year. I mean that is responsible for our growth rates in the past two, three years. Is the quality of these launches changed in more on the chronic side and do we expect this current strong momentum to continue in the domestic side?

**Abhay Gandhi:** The number of product is 22, but I think the quality of products that we have launched are extremely good. We already mentioned that we have launched a couple of in-licensed products also. These are doing well. A lot of other products strengthen our existing basket. So, I think in terms of the growth of the business we remain very optimistic.

**Prakash Agarwal:** So apart from the dip that you could see in the first half because of inventory policy adjustment, you continue to expect 20% plus kind of growth?

**Dilip Shanghvi:** I think generally, we do not split numbers between businesses. But we remain optimistic about our India business and our ability to grow faster than the industry.

**Prakash Agarwal:** Second question on the strategy of appointment of Mr. Israel as the Chairman and given the cash balance you have. So, does it indicate that you all set for global M&A?

**Dilip Shanghvi:** I think we have explained in the past also is that we continue to look for attractive opportunities for Sun to invest in internationally, to expand the business. His experience will help us in terms of becoming a much more global business.

**Prakash Agarwal:** Last question from my side on Lipodox. You said it is non-recurring in nature. So, you continue to supply due to shortages or it was just a last quarter phenomena?



**Dilip Shanghvi:** I think it is a temporary import permit. They give us permission based on the requirement once we submit our analytical report for the product that we are marketing in India.

**Prakash Agarwal:** So, in short, it continues for this quarter as well?

**Dilip Shanghvi:** Yes, it continues in this quarter as well.

**Uday Baldota:** Prakash, please join the queue. There are a lot of questions, so please restrict to two questions per person.

**Moderator:** Thank you. Ladies and gentlemen, in order that the management may address questions from all the participants, please restrict your questions to two per participant. The next question is from the line of Bino Pathiparampil from IIFL. Please go ahead.

**Bino Pathiparampil:** The RoW market when you say 40% underlying growth, are you referring to the secondary sales or the primary sales that Sun Pharma books to distributors?

**Dilip Shanghvi:** In reported numbers, it would be primary sales.

**Bino Pathiparampil:** No, the growth of figure of 40% that we are talking?

**Dilip Shanghvi:** Primary sales.

**Bino Pathiparampil:** Second, on the next year's tax rate, would you be able to give some guidance both at Sun Pharma level as well as Taro level?

**Dilip Shanghvi:** There would be an increase in tax rate. We expect tax rate to be less than 20%.

**Bino Pathiparampil:** And Sudhirbhai, when you said among the list of one-offs you referred to the currency exchange rate. So, is there any real one-off that has come up because of the change in currency or if the rupee continues to be at the same level as it is now, can we expect this level of margins or expenses to continue?

**Sudhir Valia:** What happens, in the consolidation, all the assets ultimately turns into the rupee. Assets are in different countries, different currencies, which is converted into dollar and then into rupee. Now, by virtue of rupee having depreciated the extra income gets generated, because this other income is only because of exchange rate difference, which we need to account for in the accounts. Similarly, if the rupee gains, the game will go reverse.

**Bino Pathiparampil:** So, this actually comes on the P&L in other expense or cost of goods sold, etc. right?

**Sudhir Valia:** Not necessarily cost of goods sold, there is investment, inventories, everything in the subsidiaries which is valued in dollar will have impact on the same, which ultimately go into the adjustment in P&L effect, or it happens in the consolidation.

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

Corporate Office : Acme Plaza, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059.

For further updates and specific queries, please visit [www.sunpharma.com](http://www.sunpharma.com) or feel free to contact

Mira Desai, +91 22 66455606, [mira.desai@sunpharma.com](mailto:mira.desai@sunpharma.com), Uday Baldota, +91 22 66455605, [uday.baldota@sunpharma.com](mailto:uday.baldota@sunpharma.com)



**Sonal Gupta:** Thanks for taking my question, good morning everyone. Just a question in terms of the guidance last year you guided for around 28 to 30% originally and the factor which sort of drove the growth this year was one, the stronger pricing at Taro and two, the rupee depreciation I think. Would you have really achieved your guidance which you originally guided for if these factors are not there? And secondly, was this sort of thing anticipated?

**Dilip Shanghvi:** If you see this time in the attachment, we have given numbers in dollar terms. And if you see the growth even in dollar terms, it is significantly higher than our guidance.

**Sonal Gupta:** But would you say that to an extent you expected stronger than what you think is the sustainable growth in Taro?

**Dilip Shanghvi:** I think we put everything into composite to give you a guidance.

**Sonal Gupta:** And the other question was in terms of, I was just carrying on with one of the previous questions on management reshuffle, could you just now define what exactly is your role, because Mr. Kal Sundaram has moved as Head of Taro, and essentially, what is the sort of vision behind all this restructuring and how do you see this going forward?

**Dilip Shanghvi:** Kal would be looking after our US business in addition to looking after Taro. I continue to do what I have done in the past, basically look after R&D and look after overall marketing. Abhay, who was looking after our international business out of India, would now look after India business as well as the neighboring countries. So, he will be looking after a business of close to \$700 million. And we are dividing the other RoW market amongst few other business managers. So the idea would be to focus on each of the opportunity in different geographies and find a way to grow those businesses faster.

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

**Sameer Baisiwala:** Hi good morning. I fully understand that you do not give any color on the margins, but this fiscal '13 would be a little unusual year given the fact that the tax rate is going to move up quite substantially. So I just want directional guidance at the net profit level which was 32% for Fiscal '12. Would this go down or would this go up, or would this be flat? Just a very general color.

**Dilip Shanghvi:** I think the pressure would be downwards.

**Sameer Baisiwala:** Ok, And is it a meaningful number or would it...

**Uday Baldota:** You said directional...

**Sameer Baisiwala:** And just quick one on Protonix, looks like there is a summary judgment motion which has been scheduled for the end of June. Is this related to the determination of the penalties?

**Dilip Shanghvi:** I am actually not very current on the litigation. But the litigation which is currently with the court is related to determination of penalties. Since that is a significant litigation we expect this must be a technical issue on which there is some summary judgment, I will find it out and tell you.



**Sameer Baisiwala:** You mentioned that the ANDA was filed early 2011, and you also expect the approval for Prandin....

**Uday Baldota:** Sameer can we take this later?

**Sameer Baisiwala:** Ok, I'll return to the queue.

**Moderator:** Thank you. The next question is from Manoj Garg from Edelweiss. Please go ahead.

**Manoj Garg:** Good morning and thanks for taking my question. This question pertains to the US business. If we look at sequentially the US business which has done around 1,040 crores in Q3 FY12 and despite the Doxil supply during the quarter, I think business was more or less flat to negative. So, can you give some color on that?

**Dilip Shanghvi:** How would you say that?

**Manoj Garg:** Because if we look at the numbers, which has been given by Taro and then rest of the Caraco sales, this is the understanding and even in your breakup also you have given the number of 1,000 crores for this year versus 1,040 crores which was in Q3FY12?

**Dilip Shanghvi:** I think in the US business there would be sometimes adjustments on account of charge-backs. So, as I see the trend of our business in the US, we continue to get interesting new approvals and we continue to gain traction in terms of existing products market share, independent of Taro. So I expect that business to be able to continue to grow quite well.

**Manoj Garg:** The second question is related to sales. Like when we give the guidance for 18% to 20% for FY13, are we building the full year kind of revenue of Doxil or we are building only for a couple of months of revenues?

**Dilip Shanghvi:** I think our guidance is a composite guidance. It is not a product-specific guidance. It is difficult to respond without breaking up the whole.

**Manoj Garg:** My last question, before I get into the queue, is if you see...

**Uday Baldota:** That's two questions, Manoj please return to the queue.

**Moderator:** Thank you. The next question is from Kartik Mehta from Daiwa Capital. Please go ahead.

**Kartik Mehta:** Hello. Can you elaborate on the non-recurring sales in the domestic part in this quarter? Is that to do with something we had about three years ago on account of an expiry of some tax status?

**Dilip Shanghvi:** I think beyond what we stated we are not clarifying. But this is a change in distribution policy which increases this quarter's sales.

**Kartik Mehta:** And as you mentioned in your opening remarks that first half sales would be impacted in the domestic side. Can you elaborate if this part would also impact any other things like gross margin,



EBITDA margin? I am just trying to understand that we would have booked profits in this quarter, right or actually is that in the inventory?

**Dilip Shanghvi:** I think to that extent there would be an increase in the margin in this quarter. This change hopefully should not have a material impact overall in the margin for the whole of next year. I mean cost of goods for the whole next year.

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

**Anubhav Agarwal:** I have a couple of questions. One is on the personnel cost. A sharp jump in personnel cost in this quarter, almost 20% up sequentially from December quarter. I understand some could be currency related but what is the nature of this increase in personnel cost?

**Sudhir Valia:** This personnel cost has two reasons; one of the reasons is currency change. Once we convert all this payment in rupee we have to factor in now the high exchange rate. And definitely international consolidation for the whole year will have this impact.

**Anubhav Agarwal:** If you compare for say December when the currency was in fact much higher versus the average for this quarter, you are saying that probably the consolidation that you have done....

**Sudhir Valia:** Consolidation is only for two quarters last year and this time it is four quarters.

**Dilip Shanghvi:** He is comparing December to December. If we look at for the whole year the increase is around Rs. 60 crores. And as I see in our internal numbers, the major part of that increase is on account of the increase in the US salary cost. Whether it is Taro or whether it is Sun Pharma-related entities.

**Anubhav Agarwal:** Ok. And the second question is on currency hedges. So, when you guide for 18, 20% at constant currency, you are building, the dollar assumption there is 47.8 at which you have booked FY12 sales, right?

**Dilip Shanghvi:** No. I think it is Rs. 51.

**Anubhav Agarwal:** Ok, so guidance is at Rs. 51. I will join back the queue.

**Moderator:** Thank you. The next question is from Aditya Khemka from Nomura. Please go ahead.

**Saion:** This is Saion here from Nomura. Thanks for taking my question. One question on R&D cost. You have guided for 6 to 8% of net sales. That is quite a bit of a range. So, can you explain that is it the kind of variability that you expect on the top line or if you can guide towards on an absolute number that would be great? And secondly, Taro reports R&D cost separately. So if I take that out, what I see is that at Sun Pharma R&D cost has been flat for the last four years. So, how do you see the trend going forward?



**Dilip Shanghvi:** I think one of the reasons why our R&D cost is flat is because two of our sites in the US were focused on FDA compliance. So, the sites where R&D which was spent earlier has slowed down significantly. Now, our site is back in terms of compliance. I am talking of the Sun Pharma Inc. facility at Cranbury. Hopefully, shortly, even Caraco will get into compliance. So, we will see build up in terms of R&D cost going forward.

**Saion:** And second question would be on some of the new launches, big products like Clopidogrel, Seroquel. Any pricing trend that you are seeing, anything which is positive, negative versus your expectation?

**Dilip Shanghvi:** I think these are typical launches where there are many players on day one and the erosion is significant on day one.

**Saion:** Ok, thanks and I will join back the queue.

**Moderator:** Thank you. The next question is from Nitin Agarwal from IDFC. Please go ahead.

**Nitin Agarwal:** Thanks for taking my question. On the emerging markets, Dilipbhai, you mentioned about potentially the delivery clearly being a fraction of the potential of the business. And what we have also seen is a fairly sharp sort of pickup in growth trend in the current year. Is something changing the business? Are we hitting some of the critical mass or is there an inflection point that we hit in the current year in the business?

**Dilip Shanghvi:** Maybe Abhay can tell because he used to look after this business till last year.

**Abhay Gandhi:** I think the opportunities in the market are huge but also the challenges which in the last three years have taken shape across the market. I think over a period of time it is necessary that we do not look at the market as an aggregate business, but look at areas of commonality, either geographic or in terms of complexity and handle it that way. But yes, the opportunity, as Dilipbhai says is far greater than what we are seeing at the moment and I think we are geared up to be able to address that.

**Nitin Agarwal:** Ok, fine. Secondly, on Doxil, although we do not get debt, as I said, in terms of trend do we see the contribution of Doxil being a little higher than whatever the contribution would have been in the current quarter, or this is where it is going to be as we go along to the time that it stays on?

**Dilip Shanghvi:** I think everything that we are seeing internally is factored into our total guidance for growth.

**Nitin Agarwal:** Ok sir, thanks very much.

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

**Girish Bakhru:** Thanks. Just have a question on Lipodox. If you can throw some color on how the FDA is looking at it in terms of whether the priority for FDA is to get, or rather for innovator J&J to get a new supplier to the market, or to first currently meet whatever pending demand is there from your product?



**Dilip Shanghvi:** I do not think we can answer on behalf of the FDA. Because all what we know is what is happening to us, and what they are interacting with us. We will not know what are their other parallel activities, and what are the other issues that they are focusing on.

**Girish Bakhru:** But would you have any color on whether you are supplying the entire demand or is this something, that there are certain number of patients who might be receiving this product and who are probably on the waiting list, are you getting some sense from FDA that whether you will supply the entire market?

**Dilip Shanghvi:** This is a complex issue, because we are not supposed to promote and advertise the product. And our understanding is that in many of the protocols because of continued shortage, Doxil has been replaced with other products. So, we do not know what is the current price, or market, or whether the historical market is an indicator of the present market.

**Girish Bakhru:** Right thanks.

**Moderator:** Thank you. The next question is from Gagan Borana from ICICI Securities. Please go ahead.

**Chirag:** This is Chirag here. Just on your guidance, how have you treated the Taro price hikes? Because you have consistently maintained that some element of this is unsustainable. I am thinking, have you built enough buffer or as we go along, is there scope for this guidance to be trimmed downwards if at all the pricing situation changes?

**Dilip Shanghvi:** I think we make an effort to ensure that we do not have to modify our guidance and reduce it.

**Chirag:** Can we say that now you have enough visibility at least on the timelines around how long these price hikes will sustain, or a fair estimate of that? Because up until now we maintain that we do not have enough, we cannot say for sure how long these price hikes will last.

**Dilip Shanghvi:** All I am trying to say is that I am not giving a separate guidance for Taro, I am giving you guidance for Sun numbers.

**Chirag:** Ok. And secondly, on Doxil, how does this work? Essentially, does the FDA give you specific permissions for specific quantities and how is the pricing of our products versus the innovators?

**Dilip Shanghvi:** I think we get permission for specific batches, specific quantity to import into the US. I have limited visibility on the pricing right now.

**Chirag:** Which means that over the next at least two-three quarters we would know that these are the kind of quantities of Doxil that the FDA expects Sun Pharma to actually meet? Is that a fair way of looking at it?

**Dilip Shanghvi:** I do not know what FDA is expecting because I also do not know when Johnson & Johnson will come back into the market. So, all we know is that we get temporary permissions for importing the products into the US.



**Chirag:** Ok, thank you.

**Moderator:** Thank you. The next question is from Monica Joshi from Avendus Securities. Please go ahead.

**Monica Joshi:** Just two questions on your product pipeline. Could you just elaborate on your nasal portfolio, nasal spray? I believe you got your first approval there. And secondly, what would be your plans in biologicals if any? One more thing, on the capex side you mentioned 500 crores and you mentioned some new sites. Would it be possible for you to give some color on where these investments would flow, particularly, on the new assets?

**Dilip Shanghvi:** We got recently two approvals for nasal sprays. One is Desmopressin and the second is Azelastine. These are both reasonably attractive products. So, hopefully, they should help us in developing a profitable new business in the US. About the new manufacturing sites, we are expanding our facilities both for domestic market as well as for international market. There is one additional site. The other two are new units in the existing sites.

**Monica Joshi:** About your plans on biologicals, if any?

**Dilip Shanghvi:** We have currently no plans for biologicals.

**Monica Joshi:** And lastly on Caraco, would it be possible...

**Uday Baldota:** Monica...

**Monica Joshi:** Ok, I'll join back the queue.

**Moderator:** Thank you. The next question is from Priti Arora from Kotak. Please go ahead.

**Priti Arora:** Thanks. Just a question on your guidance. You indicated the exchange rate taken for FY13 is 51 versus 48 for this year. So, that is a dollar growth of 6%. So, I am just wondering that translates into roughly 14% dollar growth versus which is much lower than what you have done in FY12. So, would you consider this a conservative guidance?

**Dilip Shanghvi:** I do not know what dollar will be because today, our Prime Minister tells that once problem in the Europe is over, Rupee will correct. So, we are not experts in currency. So, it is difficult for us to give long-term prediction on how the movement will go for the currency. Let us say if it continues to be higher than in Rupee terms we may do much more. If it goes below 51 that we have presumed to be our conversion rate, then we will do less than what we have guided in Indian Rupees..

**Priti Arora:** No, but that would change your rupee guidance. What I am talking about is your dollar guidance translates into 14% growth which is much lower than what you have done in RoW which is like 34% for the year, although you may have done in US ex-Taro, you have done substantially higher growth rates this year?

**Dilip Shanghvi:** What I said is that our guidance is 18 to 20% in Indian Rupee at a constant exchange rate of Rs. 51 per dollar. It is nothing to do with what happened in the last year.

Corporate Office : Acme Plaza, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059.

For further updates and specific queries, please visit [www.sunpharma.com](http://www.sunpharma.com) or feel free to contact

Mira Desai, +91 22 66455606, [mira.desai@sunpharma.com](mailto:mira.desai@sunpharma.com), Uday Baldota, +91 22 66455605, [uday.baldota@sunpharma.com](mailto:uday.baldota@sunpharma.com)



**Priti Arora:** Ok. And second question on Doxil, right now, you have got a license to import, send material to US for how many months if you can just give us some ballpark number? Because J&J has indicated that they would not be coming in at least till fourth quarter of this calendar year.

**Dilip Shanghvi:** The process the way I explained is that we submit our analytical certificates or batch analysis certificate to FDA and we get batch by batch import permission.

**Priti Arora:** Ok. So right now you have clarity that you are going to ship material only for say this first quarter? Beyond that you would not have any clarity, is that how it happens?

**Dilip Shanghvi:** I have no clarity beyond the batch which is approved for export.

**Priti Arora:** Ok, fair enough, thank you.

**Moderator:** Thank you. The next question is from Dheeresh Pathak from Goldman Sachs. Please go ahead.

**Dheeresh Pathak:** I want the breakup of other income for FY12 which was reported as 409 crores.

**Dilip Shanghvi:** We do not give breakup of the other income. Generally, it would be interest income and in case if there is any exchange fluctuation.

**Moderator:** Thank you. The next question is from Dinesh Harchandani from JP Morgan. Please go ahead.

**Princy Singh:** Thank you, this is Princy Singh. Most of my questions have been answered, but just one follow-up on Doxil. If I understand correctly, Sun is the only company which has approval to export Lipodox into the US or are there any other players as well?

**Dilip Shanghvi:** We understand we are the only generic equivalent which is temporarily imported into the US.

**Moderator:** Thank you. The next question is from Abhay Shanbhag from Deutsche Bank. Please go ahead.

**Abhay Shanbhag:** Just taking on Doxil again, what would be the value of the last batch of Doxil for which we got approvals in US?

**Dilip Shanghvi:** This is a good one.

**Abhay Shanbhag:** I was just trying to figure out is do you export a batch per week or a month, how do you release the batch?

**Dilip Shanghvi:** I think in the question that you are asking there are significant components of what I would call confidential and business-impacting information. So it is difficult for me to share this with you.



**Abhay Shanbhag:** What is the sequence like? It would be a one batch per fortnight or a month, even that would be sort of a number that we could look at when it could change if at all?

**Dilip Shanghvi:** I understand your difficulty. I want to find a way to help you but I don't see a method. What you are asking me I do not wish to generally share both because the information is confidential, and has material business impact.

**Abhay Shanbhag:** The other thing was we have seen the global generic companies focus a lot more on non-US market. And now with the ex-Taro CEO coming in, do we see some change in strategy for Sun also with a lot more RoW acquisitions unlike the past?

**Uday Baldota:** Abhay do not go by what the ET report says-- that is the ex-Teva CEO.

**Abhay Shanbhag:** So, do we see a lot more focus on acquisitions in non-US, non-India markets also?

**Dilip Shanghvi:** The idea would be to find a way to globalize Sun business, not only in RoW, but also in other markets. But ultimately, every acquisition that we will look at, we will follow a disciplined financial process.

**Abhay Shanbhag:** one last question on niche products. We had acquisitions of controlled substance in the past...

**Uday Baldota:** Abhay, my request...

**Abhay Shanbhag:** Ok, I'll return to the queue

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

**Ranjit Kapadia:** Thank you for taking my question and congratulations on a good set of numbers. My question relates to R&D expenses. We have said that it is 5.6% and we are planning to spend about 6 to 8%. So, can you throw some light that how many scientists are there and are you planning to recruit some more?

**Dilip Shanghvi:** We would be expanding our R&D. Even if you see this year our actual R&D spend has gone up significantly, close to Rs. 113 crores but because the turnover has gone up, in percentage terms the R&D spend has come down. As I think we continue to spend in US for R&D, I am expecting the R&D spend to go up.

**Ranjit Kapadia:** And can you quantify how many scientists are there currently?

**Dilip Shanghvi:** Around 800 scientists.

**Ranjit Kapadia:** And currently, there is no plan to increase?

**Dilip Shanghvi:** We would be increasing a little bit, but there is no major expansion plan.



**Ranjit Kapadia:** Ok, and wish you all the best, sir

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

**Nimish Mehta:** Hi, and thanks for taking my question. I have two questions. One, can you guide the launch timeline for Prandin, in whatever broad range that you can give? And second, if you can just let us know the sales growth in constant currency for this quarter?

**Sudhir Valia:** for constant Dilipbhai said it is 20.

**Dilip Shanghvi:** There is an attachment which talks of our growth in dollar terms this quarter. So, maybe that can help you look at....

**Uday Baldota:** After the press release, there was a table that we have attached where we said net sales growth is 51% for the quarter.

**Nimish Mehta:** So we take the dollar growth rate as constant currency growth rate? That would be a good reflection of the ...

**Sudhir Valia:** No, the dollar exchange implications in the balance sheet are very unusual. The earlier gentleman also asked similar question, that the last three months the employee cost has gone up. Now, effectively, what happens, all the subsidiaries are spending in dollar and at that point of time whenever it is every quarter it is converted prevailing rate at that point of time. It means suppose it maybe 45 that time. Now, we have converted into 48. The Rs. 3 of the whole nine months get debited to this period. All the sales which is done in the nine months will also reflected into the sales of this quarter if the currency depreciate during the period. I hope I am able to reach you. Are you clear. Whatever the dollar sales which we have done, in December, suppose the rate was taken is 46, and in March I take rate 48, then Rs. 2 of the sales from April to December also will come into the sales of last quarter.

**Nimish Mehta:** It is difficult. I am trying to find out the underlying actual growth, which is difficult to find.

**Uday Baldota:** We will take this off-line, because we have given you exchange rate for the first quarter, the first six months, and first nine months and for the full year. Because there is a way of deriving that but we can take this off-line.

**Nimish Mehta:** And if you can just let me know the broad timeline for launch of Prandin that will be great.

**Dilip Shanghvi:** As I have said in my opening statements that we will launch the product once we have the FDA approval.

**Nimish Mehta:** When do you expect the FDA approval?

**Dilip Shanghvi:** I have no specific dates which I can share with you.



**Nimish Mehta:** At least can you tell me whether this is tied up with the Caraco resolution or now that we have shifted ANDA it will be a function of something else rather than Caraco resolution?

**Dilip Shanghvi:** It is also difficult for me to fully answer that truthfully because we think it is not tied up with Caraco resolution, but we really do not know how the FDA works.

**Nimish Mehta:** Ok, thank you.

**Moderator:** The next question is from KC Suri from Span capital.

**KC Suri:** My questions are all answered.

**Moderator:** Thank you. The next question is from Ranveer Singh from Sharekhan. Please go ahead.

**Ranveer Singh:** Thanks for taking my question. My question relates to Sun Pharma's offer to Taro. The price offered probably we have not revised, yet market price is significantly higher. So, what makes us believe that offer price should be acceptable or we are going to change strategy, any light on that?

**Dilip Shanghvi:** The US process works in a way whereby the banker will give a fairness opinion to the independent directors. Then there would be a discussion between Sun Pharma and the independent directors about this. As on today, we believe that our offer fairly values the company.

**Ranveer Singh:** Ok, thanks.

**Moderator:** Thank you. The next question is from Mitesh Shah from SMC Global. Please go ahead.

**Mitesh Shah:** Thanks for taking my question. I just want one confirmation, like if I exclude Doxil and Taro, is that correct to observe that US base business remain flat growth in the Q4?

**Dilip Shanghvi:** We explained that there would be certain component of charge back at the year end. So, our understanding is that the base business in the US is continuing to grow.

**Mitesh Shah:** Ok. And can you guide us about your hedging strategy, how much you have hedged on the operational side and the balance sheet side till now?

**Dilip Shanghvi:** Generally, our approach has been to hedge exports in terms of net exports. So, to that extent we would have an hedge for export for next maybe 9, 10 months.

**Mitesh Shah:** Average rate is what?

**Dilip Shanghvi:** I do not have that number.

**Mitesh Shah:** Ok, thanks

**Moderator:** Thank you. The next question is from Krishna Prasad from JM Financial. Please go ahead.



**Krishna Prasad:** My question is actually related to Lipodox and just want to check if SPARC had any role during the development of this product?

**Dilip Shanghvi:** No, there is no SPARC related cost.

**Krishna Prasad:** Sure. A follow-on there, just wanted to understand, in terms of what would constitute let us say projects or technologies pursued by SPARC versus what would come under Sun, is that a flavor that you can give us, how would you go about doing that and at this point in time, do all liposomal technologies fall as part of Sun projects or are there any which would be part of SPARC as well?

**Dilip Shanghvi:** Differentiated products using liposomal technology are part of the SPARC products.

**Krishna Prasad:** Therefore, you would have certain liposomal projects as part of SPARC as well?

**Dilip Shanghvi:** That is correct.

**Krishna Prasad:** And is there a reason why Lipodox was never part of SPARC?

**Dilip Shanghvi:** When we split the company, this product was part of Sun Pharma, this product went to Sun, that is at the time of separation of both the companies.

**Krishna Prasad:** Right. That's all from my side.

**Moderator:** Thank you. The next question is from Shardul Pradhan from Quant Broking. Please go ahead.

**Shardul Pradhan:** Just coming back to the question on your staff cost, I did not get that quite clearly. Your staff cost in the first, second and third quarters have been in the 270 crores level, then it has gone up to 348 crores. A jump in fourth quarter from third quarter has been about 60 crores alone. So, I just wanted to understand why this jump has happened, and what can we assume as a quarterly run rate for your staff cost?

**Sudhir Valia:** If I answer you simply, for the quarter if it is 350 crores, for the year it has to be 1400 crores, correct? It is not like that. What happens is for the nine months whatever we spent in dollar, whatever rate the exchange is then calculated and then finally when we calculate, we calculate the 48 and that itself has a significant impact on the total because the difference of whole year has been put into last quarter.

**Shardul Pradhan:** So the same effect is shown in the last quarter?

**Sudhir Valia:** You can take the full year employee expenditure which is 1200 crores, is somewhat reasonable for you to take it forward.

**Shardul Pradhan:** Ok, thank you.

**Moderator:** Thank you. The next question is from Manish Jain from Axis Holdings. Please go ahead.

Corporate Office : Acme Plaza, Andheri – Kurla Road, Andheri (East), Mumbai – 400 059.

For further updates and specific queries, please visit [www.sunpharma.com](http://www.sunpharma.com) or feel free to contact

Mira Desai, +91 22 66455606, [mira.desai@sunpharma.com](mailto:mira.desai@sunpharma.com), Uday Baldota, +91 22 66455605, [uday.baldota@sunpharma.com](mailto:uday.baldota@sunpharma.com)



**Manish Jain:** Just wanted to understand how has been the performance of Dry Powder Inhalers in the Indian market?

**Dilip Shanghvi:** Currently, we are seeing that our original design parameters for the breath actuation where it has to trigger at let us say 30 liters per minute in some of the devices after a few usage, the air pressure required to trigger, is going up. So, we are addressing that issue but other than that the product has done and met its performance expectation in all the areas. And we expect these design fix also to be available by June.

**Manish Jain:** Second one was on SPARC, when will you do the annual review and when you will move from annual review to a little more periodic review?

**Dilip Shanghvi:** We will give you a date for the annual review shortly within maybe next few months when we have more specific information, and at that meeting we will also share with you what we will be the frequency of future reviews.

**Manish Jain:** Uday, I had a question on R&D but I will join the queue.

**Uday Baldota:** Fine, thanks.

**Moderator:** Thank you. The next question is from Bino Pathiparampil from IIFL. Please go ahead.

**Bino Pathiparampil:** Could we get some color on how many products launches you are planning in the US for FY13 and what kind of products like nasal or contraceptives, etc.?

**Dilip Shanghvi:** We want to launch as many as we can. We have close to 150 products awaiting approval. So, depending on how many of them will get approved this year.

**Bino Pathiparampil:** And just again reclarification on the domestic one-off. So in the first half should we expect the sales to be lower by this 180 crores?

**Abhay Gandhi:** There would be an impact.

**Bino Pathiparampil:** But not probably to the tune of 180 crores, is that what you are saying?

**Abhay Gandhi:** Do not know, we will have to wait and see, but yes, there will be some impact.

**Dilip Shanghvi:** I think more or less all of it would get adjusted in first six months.

**Bino Pathiparampil:** Ok, thanks.

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

**Sameer Baisiwala:** Just picking up from where I left. Is it possible to say that we are expecting approval for our generic Doxil and Prandin in the current fiscal year very broadly?



**Dilip Shanghvi:** We hope to get approval for both these products, but I do not think our approach historically has been that “we were expecting these approvals, this did not come so we cannot meet our guidance”.

**Sameer Baisiwala:** I also ask this because both these products have hardly if at all any generic competition. So, is the FDA pushed to actually approve your products sooner rather than later?

**Dilip Shanghvi:** There is a process for first generic approval in the FDA and that applies to all products which do not have generic substitutes. So to that extent these products will get certain amount of priority.

**Sameer Baisiwala:** And just a second question, Sudhirbhai you mentioned that there is a fair bit of translation impact once we were translating the assets side of the balance sheet when the Rupee is weakening. If I see from March last year to March 31<sup>st</sup> this year Rupee has gone from 44.6 to 50.6, opening and closing. So, is it possible to tell us on a full year basis what has been the net impact of this weakened rupee on the assets side translation that has come through in the P&L?

**Sudhir Valia:** It is a very complex. What happens, every quarter the Rupee exchange and the sales is translated at different rate, and again that is issues with the opening and closing. So the effect of the total translation comes into the year's effect also, but all that comes into the last quarter, if rupee is one side which is depreciating. If it appreciates it goes to the reverse direction and sometimes since we have a multi-currency scenario, maybe the other currency relations with the US also impact.

**Sameer Baisiwala:** I understand it is a fairly complex mechanics, but there has to be one number at the end of the day that on a full year basis....

**Sudhir Valia:** We have a large activity in terms of stock and things in Israel as well as in Hungary. Now, this currency is independently moving not in the same line with the currency by which the Indian currency moves with the US. Now, their translation comes to first the US currency, then how we do it, then that is converted into the Rupee. So, it is more complex. And we have Canadian business also, which is sizeable business, about 10% of Taro's business is little more in Canada.

**Dilip Shanghvi:** The production there is almost 50%.

**Sudhir Valia:** The inventory and all would be in Canadian currency. Even if you want it is very difficult.

**Sameer Baisiwala:** Ok, no problem, thank you.

**Moderator:** The next question is from Manoj Garg from Edelweiss.

**Manoj Garg:** Thanks for taking this question. All my questions have been answered, thank you.

**Moderator:** Thank you. The next question is from Sonal Gupta from UBS. Please go ahead.

**Sonal Gupta:** Thanks for taking on this follow on question. Any update on the Merck JV, have you decided what is the scope and products, etc., and when can we see something material?



**Dilip Shanghvi:** Since this is a JV, if there is a specific announcement which needs to be made then JV will make that announcement. We continue to work with Merck to progress with the JV and we are satisfied with the progress.

**Sonal Gupta:** Right. And next question was regarding, we have seen the Cranbury facility sort of got operational sometime back. So, any update on when we really start seeing controlled substances approved, anything that you can indicate in terms of how many applications are pending from that site?

**Dilip Shanghvi:** I do not have specific information about the number of applications awaiting approval out of that site. We recently got some two approvals out of that site and gradually we are bringing these products into market. As the business there builds we will see increased turnover, but controlled substance business also is very quota driven, is that you have a certain quota and if you need to increase then you have to apply once you use up the existing quota. So, it is a gradual process.

**Sonal Gupta :** ok, thank you.

**Moderator:** Thank you. The next question is from Kartik Mehta from Daiwa Captial. Please go ahead.

**Kartik Mehta:** In the opening remarks, you mentioned that there are two divisions being added in the India business. Can you elaborate on that? How much is the total field force we will be increasing on account of that?

**Abhay Gandhi:** The two units are in the therapeutic areas of CNS and Gastro. Approximately, the additional number we are looking at is 300 medical reps.

**Kartik Mehta:** Is this on account of any new geographical coverage of these two areas or would it be for some launches in these two areas?

**Abhay Gandhi:** Basically to intensify our coverage on the existing customers.

**Kartik Mehta:** So, we have about 3300?

**Uday Baldota:** No, 2700 to 3000.

**Moderator:** Thank you. The next question is from Aditya Khemka from Nomura. Please go ahead.

**Aditya Khemka:** Thanks for taking my question. Just on the domestic businesses side, a prominent deal has been for Sitagliptin in this year, do you see as a strategy it makes sense to look more aggressively on in-licensing deals for Sun Pharma going forward?

**Abhay Gandhi:** That is one of our objectives. We are working towards it. And I think this product and how well we do with it is going to decide that.

**Aditya Khemka:** How many in-licensed products you would have in your portfolio currently?

**Abhay Gandhi:** Basically, these two, Istavel and Istamet.



**Aditya Khemka:** On Lipodox, you are not giving any numbers, but is it material, should it be really considered as material impact in this quarter? Can you say whether it is like more or less than 10% of your US revenues?

**Dilip Shanghvi:** If we identify a product for a specific mention from our point of view we will identify only if it is material. And I would consider anything slightly more than 10% to be material.

**Aditya Khemka:** That's helpful sir. And one last question, your cash and investments currently, it is denominated in which currency?

**Dilip Shanghvi:** Most of the money is in India.

**Aditya Khemka:** Whether it is Protonix liability or you look at acquisition mostly it would be foreign currency denominated. So, do you think it makes sense to park these in foreign currency terms?

**Sudhir Valia:** We appreciate, but the interest rates are too different.

**Dilip Shanghvi:** Also, Reserve Bank has an expectation that you will convert all your money into rupee because.....

**Sudhir Valia:** All this is uncertain when we have to pay.

**Aditya Khemka:** So it will remain in Rupee for the time being?

**Sudhir Valia:** Yes. What we are saying, we would have kept in dollar would have appreciated in terms of rupees.

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

**Anubhav Agarwal:** Just one question on Caraco. Can you elaborate on what stage is it in, how many products are under remedial process right now? And have we applied to FDA, any response from them?

**Dilip Shanghvi:** Typically, what FDA and consultants advise is that you have to file with one product of each dosage form. So, in Caraco, we used to make tablet and capsules. So that is what they would have worked towards bringing back to the market.

**Anubhav Agarwal:** But when we say remedial process is on, is that remedial process for only one or two products which is on right now at the beginning or have we filed from many multiple products?

**Dilip Shanghvi:** Remediation basically means all your SOPs, all your systems, processes, all the staff retraining, everything is achieved and then you make the batches for products that you want to bring back to the market and file that with the FDA, that is how the process works.

**Anubhav Agarwal:** And where are we right now? We are at the stage of filing the batches, right?



**Dilip Shanghvi:** Caraco when it was a public company shared that they have applied to the FDA, some report, so that is where it is right now.

**Anubhav Agarwal:** Just checking the progress over the last year because I remember you saying the same comment a year back as well when we acquired Caraco in June '11, this was absolutely the same progress at that point of time as well.

**Dilip Shanghvi:** I agree. In the sense that is why it is difficult to give timelines. It is not that we do not want to give but there are things that you can influence and there are things which we have limited ability to influence.

**Anubhav Agarwal:** Ok, thank you.

**Moderator:** Thank you. The next question is from Prakash Agarwal from RBS. Please go ahead.

**Prakash Agarwal:** Two questions; one is on Lipodox, you said it is non-recurring in nature and this is largely due to the price hikes. Are you already seeing some price correction or what is the competitive landscape which has changed in the past three to six months on Taro?

**Dilip Shanghvi:** I do not think we have seen any major change. What Taro has said is that a significant component of their increase in turnover is because of increase in prices which may or may not be sustainable.

**Prakash Agarwal:** But are we seeing any change already or...?

**Dilip Shanghvi:** I will not know.

**Prakash Agarwal:** And if you could share the nature of ANDAs like a percentage in niche segments, Para IVs, if that is possible?

**Dilip Shanghvi:** Everything is in our guidance.

**Prakash Agarwal:** Ok, thank you.

**Moderator:** Thank you. The next question is from Manish Jain from Axis Holdings. Please go ahead.

**Manish Jain:** On the R&D, when I combine 6 to 8% of sales with the 20% hike in overall sales, it works out to roughly 35 to 80% increase in R&D cost. And especially with ANDA filing number remaining the same. Could you just give some insight in terms of how the nature of R&D work going on is changing?

**Dilip Shanghvi:** Our focus is shifting more towards complex products.

**Manish Jain:** So where each filing is taking in more time, more investments, is that.....

**Dilip Shanghvi:** And also maybe more studies, more costs.



**Manish Jain:** Fair enough.thanks

**Moderator:** Thank you. The next question is from Dheeresh Pathak from Goldman Sachs. Please go ahead.

**Dheeresh Pathak:** Just following on another participant's question on the translation impact on the P&L due to forex movement, you did not quantify it but can you help us understand in which line items the bulk of it is reflected, is it mainly reduction in other expenses or increase in other income?

**Sudhir Valia:** It will go across, from sales, expenses, employee cost, even to the stock, everywhere it will impact.

**Dheeresh Pathak:** No, for example, your account receivable and loans and advances, and basically your net working capital....

**Sudhir Valia:** All that is only in the standalone account receivable in terms of currency which is other than the local currency then it will impact. Here, we are consolidating subsidiaries. And subsidiaries are primarily accounting in currency dollar then everything gets impacted once you translate for the rupee balance sheet.

**Dheeresh Pathak:** What I meant was when you translate the balance sheet, the impact because of currency.....

**Sudhir Valia:** Balance sheet impact also has to be taken into profit & loss account.

**Dheeresh Pathak:** Exactly. So, for example, your increase in accounts receivables in rupee terms will not come under staff cost, will not come under cost of sales, I am just wondering whether it will come in other income or whether it will come in reduction and other expenses?

**Sudhir Valia:** No, all will come into other income.

**Dheeresh Pathak:** And when you gave the guidance of 18 to 20%, is that reflective of the reported sales in domestic business, will of course be slightly lower because of this inventory stuff that you have done in the fourth quarter? So is it reflective of that?

**Dilip Shanghvi:** It is factored in my guidance.

**Dheeresh Pathak:** Ok, thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will take one last question from Gagan Borana from ICICI Securities. Please go ahead.

**Chirag:** Chirag here again. Two questions; first on the other income for the fourth quarter, you reported about 212 crores, going forward what is the kind of quarterly run rate that one should sort of pencil in? Obviously, this has been very patchy across quarters. So is it that the annual number of 400-odd crores that we need to factor in on a more sustained basis or there has been an increase?



**Dilip Shanghvi:** Difficult for us to answer but I think clearly you should not look at it on a quarter-on-quarter basis because there would be money invested in assets which cannot produce quarterly return. So, approximately, you can go by annual number, but then that also is a function of our current cash. If we do some transaction then everything will change.

**Chirag:** And second question was you have given out FY13 guidance, but as you look beyond FY13, if you can just sort of give some color on the building blocks for the business, where, what do you think will be the drivers for the business beyond FY13? I am not looking for a number but more color in terms of do you think FY14 will be driven more by the US or by the RoW business, what will be those products or class of products which could drive growth beyond FY13?

**Dilip Shanghvi:** In each of the market that we are operating, our expectation and objective would be to grow faster than the market.

**Chirag:** Specifically, for the US market, is there a class of products which could drive growth or which will maybe controlled substances or something else? Because there is very little information that we otherwise have.

**Dilip Shanghvi:** And that is also because we also do not understand. So, I think it is better for us to give you annual guidance; there are large number of moving parts. Difficult for us to go beyond our current guidance.

**Chirag:** And just factoring in the fact that Doxil will be there in the FY13 numbers. Does it bother you that such a profitable product possibly could come off, then what is the impact it will have on your FY14 numbers or is it something that you think you have under control?

**Dilip Shanghvi:** I am bothered by many things. Doxil maybe one of them. The idea would be to find a way to continuously grow the business on a consistent basis and that is what is our focus.

**Chirag:** Thank you very much,

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference back to Ms. Mira Desai for closing comments.

**Mira Desai:** Thank you very much for joining us this morning for this conference call. If you have any questions that remain unanswered please get in touch with Uday or me. That brings us to the close of the call.

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