Corporate Participants

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Moderator: Ladies and gentlemen, good day and welcome to the Sun Pharmaceutical Industries Limited Q2 FY17 Earnings Conference Call. 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. I now hand the conference over to Mr. Nimish Desai. Thank you and over to you sir.

Nimish Desai: Thank you. Good evening and a warm welcome to our second quarter fiscal 2017 earnings call. I am Nimish from the Sun Pharma Investor Relations team. We hope you have received Q2 financials and the press release that was sent out earlier in the day. These are now also available on our website. We have with us Mr. Dilip Shanghvi – Managing Director, Mr. Sudhir Valia –Whole Time Director, and Mr. Abhay Gandhi – CEO of our India business

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

The discussion today might include certain forward-looking statements and this must be viewed in conjunction with the risks that our business faces. You are requested to ask two questions in the initial round. If you have more questions, you are requested to re-join 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: Welcome and thank you for joining us for this earnings call, after the announcement of financial results for the second quarter of FY17. Let me discuss some of the key highlights:

Our overall sales have grown by about 13% for the quarter. As indicated earlier, these numbers include the upside from one month of exclusivity sales of Imatinib in the US. In Q2, we also had the benefit of non-recurring sales of approximately US$ 25 million, which is unlikely to repeat in the remaining quarters of this financial year. These are pharmaceutical supplies but are not evenly distributed across quarters.

Let me update you on the Ranbaxy integration – The synergies from the Ranbaxy acquisition are gaining momentum and we are on track to achieve the US$ 300 million target by FY18. Some of the savings from these synergies will help in funding our emerging specialty businesses.

Let me now briefly talk about our specialty initiatives - During the quarter, we announced detailed results for Tildrakizumab Phase-3 trials which validate the potential of this product for psoriasis treatment. The preparations for a potential BLA filing in the US are on-going.

We are in the final stages of the launch of BromSite in the US market and we expect to commercialize this product shortly.

Post the close of the quarter; we announced the acquisition of Ocular Technologies to further strengthen our branded ophthalmic pipeline.

On Halol, as indicated in the previous call, we have requested the US FDA to re-inspect the Halol facility and we are awaiting this re-inspection.

I will now hand over the call to Mr. Valia for discussion of the Q2 performance.

Sudhir Valia: Thank you Mr. Shanghvi. Good evening everyone and welcome to all of you. Our Q2 financials are already with you. As usual, we will look at key consolidated financials.

Before we discuss the financials, let me highlight that the US dollar for the quarter was at a higher rate as compared to last year. The resulting benefit to revenues may not be sustainable.

The Company has adopted Indian Accounting Standards (Ind AS) from 01-April-2016 and hence the financials have been prepared according to Ind AS. To facilitate a like-to-like comparison, the financials for the previous quarter and half year ended Sept 2015 have been restated as per Ind AS. As per the requirements of Ind AS, sales are now reported on gross basis and hence margins are also calculated on gross sales.

Q2 sales are at Rs. 7,764 crores, up by 13% over Q2 last year. Material cost as a percentage of sales was 23.7%, higher than Q2 last year. Staff cost was at 15.4% of sales and other expenditure was at 26.5% of sales, both lower than Q2 last year.

As a result of the above, the EBITDA for Q2 was at Rs.2,666 crores, a growth of 44% with EBITDA margins at 34.3%. Net profit for the quarter was at Rs. 2,235 crores with Net profit margin at 28.8% compared to Net profit of Rs. 1,029 crores for Q2 last year. EPS for the quarter was Rs. 9.30.

Now we will discuss the half year performance. For first half, net sales were at Rs. 15,771 crores, a growth of 18% over first half last year. Material cost, as a percentage of the net sales was 23.4% which was slightly lower compared to H1 last year. The staff cost for the first half was at 15.5% of net sales while other expenses were at 27.2%, both lower than H1 last year.

As a result of the above, the EBITDA for the first half was at Rs. 5,351 crores a growth of 58% over the first half last year. EBITDA margins were at 34% for H1 compared to 25.3% for H1 last year.

Net profit for the first half was at Rs. 4,269 crores with Net profit margin at 27.1% compared to Net profit of Rs. 1,585 crores for H1 last year. Net profit for first half last year was adversely impacted by one-time items as well as exceptional charges of Rs. 685 crores. EPS for the first half was Rs. 17.7.

Let me now briefly discuss Taro's performance.

Taro posted Q2 sales of US$ 229 million, up 8% over Q2 last year. For the first half, sales were US$ 463 million, up by 8% over first half last year. Taro's net profit for Q2 was US$ 124 million, down by 7% over Q2 last year. Net profit for H1FY17 was at US$ 234 million, down by 1% over first half last year.

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

Abhay Gandhi: Thank you Mr. Valia. Let me take you through the performance of our India business.

For Q2, sales of branded formulations in India were Rs. 2,009 crores, a growth of 11% over Q2 last year and accounting for approximately 26% of total sales. For the first half, sales grew by 9% to Rs. 3,863 crores. Our business has grown despite the combined effect of multiple regulatory changes which adversely impacted overall industry growth during the first quarter of the year.

Sun Pharma is ranked No. 1 and holds approximately 8.7% market share in the Rs. 100,000 crore pharmaceutical market as per September-2016 AIOCD-AWACS report.

As per latest SMSRC report, Sun Pharma is ranked no. 1 based on share of prescriptions with 12 classes of doctors. For Q2, 8 new products were launched in the Indian market.

We continue to focus on improving the productivity of the business. We also continue to expand our product portfolio through a combination of internal development and in-licensing.

Favourable demographics should benefit the Indian pharmaceutical market in the long-term. However, competition, changing regulations and government mandated price controls are the other key factors which will determine the long term growth trajectory of the industry.

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

Dilip Shanghvi: Thank you Abhay. I will briefly discuss the performance highlights of international business. Let me first start with the US business.

For Q2, our overall sales in the US were at US$ 555 million accounting for approximately 48% of our overall sales. These numbers include sales from the 180-day exclusivity on Imatinib.

Our sales in emerging markets were at US$ 170 million for Q2, a growth of 22% over Q2 last year and accounted for 15% of total sales. For the first half also, our emerging market performance has improved 19% year-on-year. The growth is broad-based amongst emerging markets.

Formulation sales in Rest of World markets excluding US and Emerging Markets were US$ 79 million in Q2, a growth of 3% from the corresponding quarter last year. ROW markets accounted for approximately 7% of revenues for Q2.

For Q2, the external sales for our API business were at Rs. 367 crores, up 17% from the corresponding quarter last year. For the first half, the API business grew by 43%. This strong growth was partly driven by the consolidation of the opiates business in Australia.

We continue to invest in R&D for enhancing our pipeline. Consolidated R&D investments for Q2 was Rs. 570 crores, accounting for 7.3% of sales. This R&D spending enables development of future product pipeline including specialty and differentiated products and we continue to expect increased R&D investments for rest of the year.

We have a strong pipeline for the US market with 144 ANDAs and 4 NDAs awaiting approval with the US FDA, of which 2 NDAs were filed in the first half.

Before I open the call for questions, I would like to thank Abhay for his commitment, dedication and for his contribution to the India business in making it as successful as it is. As you all know, he is now going to head our North America business.

I would also like to welcome Kal Sundaram back to the Sun headquarters. Kal will be leading our India and emerging markets businesses.

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

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We will take the first question from the line of Manoj Garg from BOA Merrill Lynch. Please go ahead.

Manoj Garg: Mr. Shanghvi, this question is on our annual guidance. Since we have almost through 51% or 52% of our annual guidance and given that we have certain exclusivity opportunity for Olmesartan and its combinations, would you like to revisit your annual guidance?

Dilip Shanghvi: We do not have currently any visibility and clarity about dynamics in terms of market changes. So we are currently staying with the guidance. Should there be a need or we have a better clarity either during the quarter or at the end of third quarter we will change the guidance.

Manoj Garg: And sir just on your prepared comments about Ranbaxy synergies. Sequentially we have seen a sharp drop in other expenses. I just would like to understand what part of that is because of lower remedial cost and if you can give us a break up between Ranbaxy synergy and the remedial cost out here?

Dilip Shanghvi: I do not know whether as a philosophy, I would like to share that level of granular information.

Manoj Garg: Is it fair to say the larger part of savings is on account of remedial cost?

Dilip Shanghvi: Why would you say that remedial cost should have come down?

Manoj Garg: Because if Halol remedial has got over and we have already invited FDA so, I think that is what I was just thinking off.

Dilip Shanghvi: Yeah, but I think remediation, I mean you do not call the FDA only after the remediation you may have on-going remediation. But I think we track the synergy benefits and as I have said in my read out we are rapidly moving towards achieving that $300 million in terms of annual synergy for Ranbaxy acquisition, a part of that as I said we will be investing in establishing speciality Pharma business in the US in creating organizational infrastructure.

Moderator: Thank you. We have the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: If I would to strip out the US$25 million non-recurring sales and also strip that out from the previous quarter and also exclude on assumption of Gleevec, we still seem to have shown improvement in our base business. Would that be, because of given Taro sales were flat for that be, because of improvement in supplies in Halol and how sustainable is that improvement? I am asking this particularly in the light of all the noise around generic pricing pressure and how it is worsening?

Dilip Shanghvi: So, I think and that is the reason why I think I have not responded to request or a change of guidance. So, the same logic I do not think that it will help you in understanding how to put numbers beyond what we are able to see.

Neha Manpuria: Let me ask you, how are we seen generic pricing trend for our business in the last quarter and how are we looking at it for the next few quarters, do you see that trend worsening or it could stabilize at these levels?

Dilip Shanghvi: I think pricing pressure will continue. I have said this in the past also and I continue to maintain that, with consolidation and in increase in competition, pricing pressure will continue.

Neha Manpuria: And this would be high single digit, will that be a fair assumption?

Dilip Shanghvi: I think it is product specific. Some product it can be significantly higher than single digit. You consolidate for all the products together maybe it will be high single digit.

Neha Manpuria: And sir for EM and ROW been a sort of cleaning up the business restructuring it for a while now, we have seen some improvement. When would you expect sort of inflection point in both of those businesses going forward?

Dilip Shanghvi: We are seeing a reasonable trend this year and this is despite significant correction in terms of currency in some of our key markets**,** if you see the underlying business at historical currency rate, then I think it has done quite well.

Moderator: Thank you. The next question is from Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Sir, just continuing on the US, how has Gleevec panned out for you after additional generics entered the market and do you see a significant correction in third and fourth quarter on that?

Dilip Shanghvi: So, I think ultimately all generic products have the same challenge, that your competition determines your share as well as pricing. So, we will see reduction in our share and reduction in overall per unit realization.

Saion Mukherjee: As you slightly longer term on the generics business, since the base is large and you alluded to pricing pressure in the US. If we look at slightly longer term what kind of growth you think the US generic growth based on 140 ANDAs that we have would be slower over the next five years compared to what we had seen in the last five years?

Dilip Shanghvi: Five years back we did not have a significant base but we expect that, with a mix of both differentiated and difficult generic products as well as commodity generic products, we should be able to grow the business. This year and partly even last year, we have been hit because of disruption in supply as well as lack of of new product approval. Once that is cleared, I think hopefully we should do better.

Saion Mukherjee: And sir final question on the speciality side. Your acquisition of Ocular Technologies, can you just take us from the timeline and what kind of prospect you see with this product?

Dilip Shanghvi: I think it is a very exciting and interesting product. As on today, I think we have not shared the information related to the status of the product. I think once we have clarity we will share

more information with you. But philosophically our approach always has been that how to get a product as close to market as possible, so that it can strengthen our effort in the establishing our business.

Moderator: Thank you. The next question is from Fatema Pacha from ICICI Prudential. Please go ahead.

Fatema Pacha: I just wanted to know that we have got Glumetza approvals for quite some time, but we have not launched it. Any particular reasons? Because it is quite a decent opportunity and we got the approval way back?

Dilip Shanghvi: I understand. There are technical issues and we are working towards addressing it. Hopefully we should be able to solve this challenges, but I do not have a specific date to share.

Fatema Pacha: So, we do not even think this quarter?

Dilip Shanghvi: I cannot share specific date.

Fatema Pacha: No, I completely I understand but it just that it's been so delayed that unable to fathom happened.

Dilip Shanghvi: So, there are technical challenges in our ability to launch this.

Fatema Pacha: And sir, come on to this press release on these three-four drugs of our association with Daiichi, could you just explain to us how it is been because for us for the street I think it was a surprise may be it is part of your guidance but if you could just throw some light on these product opportunities and should we look at it as extremely low margin kind of just trade deals?

Dilip Shanghvi: I think, it is no different than a typical authorised generic transaction. It allows us to sell during a period of time when there is limited competition, so we can work towards achieving higher overall sales but it is a relatively low margin business.

Fatema Pacha: But it is not like what generally authorised generic margins you are saying, is that what you are saying?

Dilip Shanghvi: No, I said it is a typical authorized generic product.

Fatema Pacha: And sir, on the four products competition is not there in two right?

Dilip Shanghvi: Yes, that is true. There are other products for which there are multiple generics.

Fatema Pacha: Sir, the two drugs which at currently do not have any competition, what size would it be?

Dilip Shanghvi: I understand, I think all the questions which you are asking are public domain information. How many generics, how many people launched, how many people got approval; everything is public domain.

Moderator: Thank you. We have the next question from Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: On Gleevec, I am in surprise that the innovators managed to hold on to 35% or so market share during your 180 days and now with 3 player dynamics as well. So any thoughts, how they able to do that and is this going to remain sticky or this can potentially come to you and other generic players?

Dilip Shanghvi: I did not fully understand the intention of this question. So what you are saying is that once more generics are approved in Imatinib, what is the market impact of additional competition, is that the question?

Sameer Baisiwala: No, even with the current 3 player market, the innovator continues to retain 35% market share. Typically, you would own, my guess is 10% or may be 15% at best. So the despite 8 months or so, for which generics this market share is not come to the generics as a whole equity. So, which is so that can you expand your volume you or whether other generic players, so that is the question?

Dilip Shanghvi: So, I think is that innovator would have some kind of relationship in terms of bundling or something. I really do not know why they are able to retain the kind of market share that they have.

Sameer Baisiwala: And on Tildrakizumab, now that Phase-III data is out there with whatever we can see Tildra has roughly about 57%-58% PASI 90, 28 weeks, how do you see this versus others couple of

drug which are in the market and couple which on the way with 70% to 80%, I would think like-for-like a score?

Dilip Shanghvi: So, I think our belief is that Tildra is a very good product and the tendency to extrapolate data from one study to another study, possibly does not give you the most appropriate comparison. And also, we have been consistently maintaining that this has the least frequent dosing in the class. It is once a quarter. If you see the overall safety profile when you say extremely safe product. So, we believe that this is a product that will be attractive and will succeed in market place.

Sameer Baisiwala: Just on the first point, extrapolation of chemical data on efficacy side. So, if there was a head-to-head trial of Tildra with say, Cosentyx, Stelara or Taltz on PASI 90, do you think the score would read differently if they are 71 or 79 in your 58 in separate trials but if there was head to head trial stand would these gap narrow?

Dilip Shanghvi: I think clearly the reading will be different because I think how the scores are measured, what is the guidance to the investigators will have an impact on how the outcome will read. But without doing the study for us to give a response will not be appropriate. But also I think we have options to develop this product with additional studies and we are evaluating studying the product in other indications we are also looking at how to further extent the overall efficacy within the overall performance, within the psoriasis indication. So I think the idea for us is to find a way to leverage the strength of the product to ultimately what towards gaining a respectable market share of the overall disease.

Sameer Baisiwala: The question is that within the next five months, do you expect FDA to clear the Halol facility?

Sudhir Valia: We already offered the facility for a re-inspection.

Dilip Shanghvi: It is ready for re-inspection. Once the re-inspection happens, it takes time to write a report. Looking at the experience of some of the other sites; it can take more than three months post the inspection, for the site to get the clearance. So, I hope that we should be able to do this within five months, but I do not know whether that will actually happen.

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

Anubhav Agarwal: Question is let's say, one is absolute data which may or may not be comparable on efficacy but how do we compare the safety of Tildra versus Stelara and Cosentyx in the market?

Dilip Shanghvi: So, typically all that studies are done with a placebo**.** So, in case of Tildra, we have seen that our overall safety is comparable to placebo. So, like that you can do relative comparison with placebo in all the studies, because all the studies would have a placebo arm. Then also some of the products which have been in market for some time like Stelara or the entire TNF product would also have a five-year safety data. So, both of these are important data points for clinicians.

Anubhav Agarwal: Maybe I am not able to appreciate this, but when a clinician is taking decision with prescribing Tildra, if I am leaving the pricing aside versus Cosentyx or Stelara or any other drug in that space, one is the efficacy data is absolute comparison if head-to-head studies available. But other than convenience, what is the advantage of Tildra versus the other two options there?

Dilip Shanghvi: Let's look at it slightly differently. It is not a question of survival; it is a question of relative efficacy**.** So if you have 100 patients, and of that within 28 weeks, 60 patients become clear up to PASI 90 and have comparable safety to placebo and you have another product which has of 100 patients may be 75 patients or 80 patients clearing to PASI 90 but has slightly more side effect profile compared to placebo. It's then a judgement for clinician to compare the frequency of dosing, pricing, compared to the condition of the patients. So there are multiple points which clinician will use for forming the judgement. If you see current products which are used for treatment of psoriasis, overall efficacy and response in terms of PASI 75, PASI 90 for all the products is different but all the products have market share. So it is not that a product with let say 45% PASI 75 will not sell. So there is always a trade-off clinician, but our own assessment and our interaction with clinician indicates that we have a very competitive profile for clinician.

Anubhav Agarwal: The second question is on the Ocular dry eye drug, can you just help us something on the de-process, was it asset on the block very competitively bid or this will just a deal between two players?

Dilip Shanghvi: I think people know that we are an acquirer of ophthalmology asset and my own sense is there would have been a process and because anybody wants to exit business or sell an asset will look at multiple buyers. This is not a transaction which has come to us because we knew the company.

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

Shyam Srinivasan: My first question is on the R&D expenditure, just you made an earlier comment that it will probably a rise for the remainder of the year, is there any specific level that you can kind of guide us that or you think these levels are where it probably will be?

Dilip Shanghvi: We have an overall annual guidance. Now, if you see our first six months overall number is slightly lower than our guidance. So, what I have said is that in subsequent quarter it may go up.

Shyam Srinivasan: If you can remind us 8% to 9% you are saying for the R&D expenditure?

Nimish Desai: It is 9%.

Shyam Srinivasan: My second question is on the Indian business, I think you comment about eight products have been launched this quarter, can you just take us through some of the key products?

Abhay Gandhi: The biggest products we launched during the quarter were the in-licensed product of AstraZeneca, Dapagliflozin. That is the big product that we launched and first three months are quite encouraging both in terms of the prescription written garnered as well as the sales which have been achieved. So that is the biggest launch.

Shyam Srinivasan: My last clarification, the 25 million of one-off sales that is in the US formulations, just clarifying?

Dilip Shanghvi: We have not given any specific country. All what we have said is there is a Pharma sale of US$25 million which we will not see rucurring during the rest of the year.

Shyam Srinivasan: So, there is no color on the geography?

Dilip Shanghvi: No, color on the geography.

Moderator: Thank you. The next question is from Abhishek Sharma from IIFL. Please go ahead.

Abhishek Sharma: Your other expenses in absolute terms have been a sort of fluctuating over the past few quarters, so just wanted to get some color as to what drives this fluctuation and how should we see this number going forward?

Uday Baldota: I think we have discussed this several times in the past that other expenses is a clubbing of lot of expenses and to that extend I think one does the bit of fluctuation and the variation there. I would say that just your earlier question that Mr. Shanghvi was answering about let's say the R&D expense if we are expecting the R&D expense to go up in the balance two quarters then logically large part of the R&D expenses will also reflected in other expense and hence there would be a higher trend. So, I would say that in a quarter-on-quarter necessarily comparison between the numbers on other expense line may not yield much and one would necessarily be to look at may be a longer term trend and the variation also get impacted because I think there is some lumping of expenses not only in R&D but probably other businesses also like sales and marketing there is a bit of lumpiness there, also I think there is a foreign exchange element that goes and resides in other expenses so I think some of these things do cause the variation.

Abhishek Sharma: Right, but you would, basically there would be a good amount of correlation with the R&D, and is what you are saying?

Uday Baldota: I would say that you know, if you look at the overall expense number, as a percentage of sales are R&D 7% but when you look at the other expense part that will be much larger. So, I think there will be an impact there. It will not be 100% correlated with the R&D expenses. I think there will be lot of other line items which could also move meaningfully.

Abhishek Sharma: And sir just one question, how do you see the dry eye market with the introduction of Xiidra because it is done very well in the first couple of months and it seems to have taken a lot of patients away from Restasis which is Cyclosporine so, how do you see that market panning out given the fact that there is a new class competing there now?

Dilip Shanghvi: So, my own assessment and may be Abhay you can add is that dry eye continues to be an under-treated disease. So, patients suffering from dry eyes for one reason or the other are on generally OTC artificial tears and which continues to be a huge market. So if you look at the overall number of patients suffering from dry eyes, the number of patients treated with prescription drug is a very small percentage. So I see an increasing noise level to lead to increasing usage of prescription products for treating dry eye rather than people taking business away from each other. And when we have done the competitive analysis of our product compared to the product in the market I think we believe that we have enough differentiating advantages which should allow us to promote the product but even there I think the focus for us will not be to try and take business from product in the market but to try and also parallelly expand the market.

Abhay Gandhi: I think you have covered the answer very comprehensive there is nothing more to add. I think in nutshell to paraphrase what Shanghvi said, OTC is the far larger component and that is not the space we are getting into. Comparatively the prescription market is not as competitive and that is we would like to position ourselves and use that as an opportunity to grow the market.

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

Chirag Talati: Couple of questions. Firstly in anticipation of BromSite approval, is it right to say that the entire build out on commercial side in ophthalmic has already been done?

Dilip Shanghvi: One clarification, we have an approval.

Chirag Talati: Yes, I am sorry, a launch, upcoming launch?

Abhay Gandhi: Yeah, so the complete build out is over. The team is in place and I think the team is good to go.

Chirag Talati: And secondly, we looking at lot of PBMs, I can recently Express Scripts did mention that they are going to go after some of these biologics for autoimmune in terms of pricing and how do you see the pricing evolving particularly in light of TNFs competing heavily among themselves how do you see the pricing pressure entire class over the next coming few years?

Dilip Shanghvi: I think for PBMs and for peers this is a class with fairly high cost and they will find a way to manage the cost more effectively. Where we see the opportunity is that psoriasis, if I see the total patient base in the US of the may be in excess of 1.2 or 1.4 million patients, only 200,000 patients are treated by biologics, rest of the patients are treated with conventional treatment. So even if there is pricing pressure, and with availability of products with safer overall side effect profile and increasing acceptance and simple dosing regimen which our product will offer, we have chance of encouraging usage of the product in more number of patients then what is correctly treated. So, answer is there may be potential pricing pressure but that will not mean market will become smaller because it will continue to expand.

Chirag Talati: Would it be fair to say that this could be a winner takes all market?

Dilip Shanghvi: No, I think if we see no. I think it is a for you to get a bigger share of market over time you will need more and more indications but it is never going to be a winner takes all market.

Moderator: Thank you. The next question is from Manish Jain from SageOne Investments Advisors. Please go ahead.

Manish Jain: I had a follow on question on Tildra, given that you are preparing for a BLA filing, when do you start the trials for non-psoriasis indications?

Dilip Shanghvi: Both of these are not in any way.

Manish Jain: Yeah, exactly, so the question is do you wait for approval for psoriasis or you can start actually?

Dilip Shanghvi: Yeah, we can start.

Manish Jain: And the second question was I just wanted a little clarification on Ocular technologies, the acquisition is it restricted to Cyclosporine or do you have rights to other technologies as well?

Dilip Shanghvi: We bought the business so we have right to all the technologies and all the IPs the company as.

Moderator: Thank you. The next question is from Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: The speciality business there has been a lot of in-licensing and inorganic moves particularly only late-stage assets on Derma and Ophthalmic, how should we think about giving these inorganic moves over the next two years or so, we would keep adding more in these therapies or you go into new therapies how are you thinking about it?

Dilip Shanghvi: We have to have a critical mass in these two businesses before we can start thinking about significantly expanding in multiple directions.

Saion Mukherjee: So, inorganic moves would be most likely be in these therapies going forward.

Abhay Gandhi: We did not say that. The first attempt is to succeed with what we have, enable that the management is able to cater to the customers and succeed with what we have and then we will figure out what we wish to do.

Saion Mukherjee: And the second question just on Ocular Technologies again, there have been cases of regulatory challenges to get such products through the FDA, do you have any insight on this and how are you feeling about getting it fast through the FDA?

Dilip Shanghvi: I think my own understanding is that the FDA expectation about approving a dry eye product and what kind of studies is required to be done is known and your product needs to meet those expectations. So it is not a where a clinical benchmark is unknown if there have been challenge and I am not aware of this then maybe it is because those FDA expectations were not met. All products have a potential risk because all of them will require a placebo control study so all products have this potential risk that is sometimes you get disproportionate placebo response. In that case the number of patients that you would have thought that we will you significance you may not get.

Saion Mukherjee: Sir, do you have clinical data Phase II or any other patient data for this product?

Dilip Shanghvi: I think this is not public domain information and we have not shared this, I do not want to share this but we would have done comprehensive diligence before we would have agreed to enter into this transaction.

Saion Mukherjee: Just couple on finance related question on the interest cost so that this fall is primarily due to foreign exchange gain that we have seen in this quarter?

Uday Baldota: Saion I think it is a mix of several elements that partly also contributed by the foreign exchange item.

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

Sameer Baisiwala: Given your portfolio 144 and does not 4 NDAs, I was just thinking do you have Doxil type of $100 million plus products and multiple of those?

Dilip Shanghvi: I think you started with my answer. Do you want me to answer again?

Sameer Baisiwala: I said lower bar sir, I hope….

Dilip Shanghvi: Actually I think, and this is interesting in the sense that many products can potentially be US$ 100 million it also depends on when they get approved and when they get approved what is the level of competition. So even if I give you an honest answer now, I may be wrong or right depending on when we will get the approval. But I think effort for us is to increasingly focus on complex product. Hopefully these products will have limited competition when we will get approval.

Sameer Baisiwala: And one last one Tildrakizumab also if I look at your data that you shared from 12 weeks PASI 90, 90 goes from 36% to 28 weeks it goes to 56. Now is that, how do you read this, is this a bit of negative that to begin with its low PASI and then becomes optimal only after 28 week or this is not an important factor?

Dilip Shanghvi: It is known that generally IL-23 do not work as rapidly as IL-17 and depending on the subset of patients which have been used at least in our study we have seen significant difference between two studies both in terms of PASI 90 as well as PASI 75 scores. So, we have a good product which is safe, which is convenient for patients and doctors and we have an overall competitive profile to succeed in the market place and we will continue to develop the products further.

Sameer Baisiwala: And when you are doing more studies may be expanding indications etc. but you also think of doing head to head with the couple in the market?

Dilip Shanghvi: I think ultimately all of that has to have an objective. Now we might consider provided we see that it will lead to benefit in market which will justify the cost.

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

Nimish Mehta: So, what is the typical unmet need that BromSite is able to address vis-à-vis its competitors?

Abhay Gandhi: It addresses post-cataract surgery segments where there is not too much of competition or not too much of promotion happening. So, I think that is why we will be able to make a dent into that market is what we think. So, is there a completely unmet need, the answer is no. We still can market our product in segment, I think we can.

Dilip Shanghvi: So, also two additional points, one would say we have a label claim for pain which is not in there in Prolensa or other NSAIDs for this indication, the second is that this is twice a day but all other drug including a steroid which are used in cataract surgery they are all more than once a day so in any case patients' needs to be dosed and take medication more than once a day. So, doctors do not see price as a major handicap unlike glaucoma where you twice a day dosing will be a competitive disadvantage. So this is not a competitive disadvantage.

Nimish Mehta: So, what I understand is that one this, label of pain is greatly beneficial and second may be there is marketing gap in terms of how other products are being marketed there a fair understanding?

Dilip Shanghvi: Yes, I think so.

Nimish Mehta: The other question actually I had was again on the Halol sale, just wanted to know have post the remediation getting over has we been able to increase the sales or it has been just same, what has been the situation?

Dilip Shanghvi: I have discussed this with in the past also. If I am in a market where for customers control 80% of the market and because we have a product does not mean that we can start selling it immediately. It is also a function of whether we are successfully able to get business from some of the customers. So it is all linked with our ability to gain market share.

Nimish Mehta: Right, but this quarter does reflect any improvement or it does not?

Dilip Shanghvi: So, it is there in the sales.

Nimish Mehta: If I may just squeeze in just clarification on Japan, what is the acquired sales will that will be kicking in from this quarter itself, right that is in Q3 onwards that is what you earlier guided and just trying to reconfirm it?

Uday Baldota: Nimesh, what we said is that the sales continue is just that we are recording it in other operating income because there is a profit element that we are getting and I think as the marketing authorization keep getting transferred we will start recording sales. I think there is date that we have given for which are the marketing authorizations to be transferred. I think more or less we seem to be on track on that.

Nimish Mehta: If you can remind me of the date that will be helpful?

Nimish Desai: Nimesh, if you see our press release which we give out last time, there is the full schedule which has been given starting November onwards in a phased manner so you can refer the press release that will give you can idea.

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: Thank you everybody for joining us on this call today evening. If any of your questions have remained unanswered, please send them over, we will have them answered. Thank you

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Sun Pharmaceutical Industries Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.