Sun Pharmaceutical Industries Limited
SUN HOUSE, CTS No. 201 B/1,
Western Express Highway, Goregaon (E),
Mumbai 400063, India
Tel.: (91-22) 4324 4324 Fax.: (91-22) 4324 4343
CIN: L24230GJ1993PLC019050
www.sunpharma.com

9 August 2023.

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

Scrip Symbol: SUNPHARMA

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

Scrip Code: 524715

Sub: Q1 FY24 Earnings Call Transcript

Dear Sir / Madam,

Please find enclosed herewith a copy of the transcript of the Company's Q1FY24 earnings conference call, which we shall be uploading on our website after sending this letter to you.

This is for your information and dissemination.

Thanking you,

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

ANOOP ANJANIKUMAR DESHPANDE

Digitally signed by ANOOP ANJANIKUMAR DESHPANDE
DN: c=IN, o=Personal, postalCode=411038, st=Maharashtra, serialNumber=EFFDD2957A082F211A0213A23B583DE528E4413FBFAC2175693E06EF12FFD7D9, cn=ANOOP ANJANIKUMAR DESHPANDE
Date: 2023.08.09 14:55:01 +05'30'

(Anoop Deshpande)
Company Secretary and Compliance Officer

Corporate Participants

Dilip Shanghvi
Managing Director, Sun Pharmaceutical Industries Ltd.

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

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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of Sun Pharma. 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Dr. Abhishek Sharma, Vice President, Head of Investor Relations and Strategic Projects. Thank you, and over to you, sir.

Abhishek Sharma: Thank you. Good evening, and a warm welcome to our first quarter FY '24 earnings call. I'm Abhishek from Sun Pharma Investor Relations team. We hope you have received the Q1 financials and the press release that was sent out earlier in the day. These are also available on our website. We have with us Mr. Dilip Shanghvi, Managing Director; Mr. C.S. Muralidharan, CFO; Mr. Abhay Gandhi, CEO, North America; and Mr. Kirti Ganorkar, CEO, India business.

Today, the team will provide an update on financial performance and business highlights for the quarter and respond to any questions that you may have. We will refer to the consolidated financials for management comments. The call recording and call transcript will also be put on our website shortly. As a part of the press release, we have added a section on status of specialty projects. In the future, we will be adding more information to this section.

The discussion today might include certain forward-looking statements, and these must be viewed in conjunction with the risks that our business faces.

You are requested to ask two questions in the initial round, if you have more questions, you are requested to re-join the queue. I also request all of you to kindly sending your question that may remain answered today.

I will now hand over the call to our CFO, Mr. Muralidharan.

C. S. Muralidharan: Welcome, and thank you for joining us for this earnings call after the announcement of financial results for the first quarter FY '24. Our Q1 financials are already with you. Q1 FY '24 sales were at INR117,852 million, a growth of 10.7% for the same period last quarter.

Material cost stands at 23.4% of sales, lower year-on-year on account of higher specialty products and better product mix. Stock cost stands at 20.4% of sales, higher than Q1 FY '23 on account of annual

merit increases and consolidation of Concert. Other expenses were at 29.3% of sales, higher year-on-year on account of increase in selling and distribution expenses and consolidation of Concert business.

Forex gain for the year was INR20 million, compared to a gain of about INR1,457 million in Q1 FY '23. EBITDA for Q1, including other operating revenues, was at INR33,318 million, up by 15.5% over Q1 last year, with EBITDA margins at 27.9%. Adjusted net profit, excluding the exceptional items for Q1 FY '24, was INR23,454 million, up 13.8% over Q1 last year. Reported net profit for Q1 FY '24 was INR20,225 million, compared to net profit of INR20,609 million for Q1 last year. Exceptional items include a charge of INR1,492 million towards impairment of an asset acquired namely AS012, which was in clinical trials for vitiligo.

As of 30 June 2023, net cash was USD1.7 billion at consolidated level and about USD436 million at ex-Taro level. Gross debt decreased from the level of USD754 million as of 31st March 2023 to USD472 million on 30 June 2023, thereby USD275 million repaid during the current quarter.

Let us look at the key movements versus Q4 FY '23. Our consolidated gross sales were higher by 9.9% quarter-on-quarter at INR117,852 million. Besides the seasonality usually seen between Q1 and Q4, we have prominent factor of higher sales from lenalidomide quarter-on-quarter. However, we expect lenalidomide sales will remain episodic in future. Material cost stands at 23.4% of sales, higher quarter-on-quarter on account of expected normalization that we had flagged off in our Q4 FY '23 earnings call.

Staff cost at 20.4% of sales were higher in absolute terms versus Q4 FY '23 due to annual merit increase and first full quarter of Concert consolidation. Other expenses were at 29.3% of sales, were lower than Q4 FY '23 due to sales and distribution and R&D. EBITDA margin for Q1 was at 27.8% compared to 25.6% for Q4 FY '23. Reported net profit for Q1 stands at INR20,225 million.

Moving on to Taro's performance. Taro posted Q1 FY '24 revenues of USD158.9 million, higher by 1.4% over Q1 FY '23, a net profit of USD10 million. Onetime expenses include those related to planned relocation of Alchemee operations. Excluding the impact of onetime, in Q1 FY '24, net profit was USD14.9 million.

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

Kirti Ganorkar: Thank you, Murali. I shall take you through the performance of our India business. For Q1, the sales of formulation in India were at INR35,604 million, recording a 5.1% growth over Q1 FY '23. India formulation sales accounted for 30% of total consolidated sales for the quarter.

We have shared CEQUA was launched from our global specialty portfolio in our home market of India. Initial response has been good, and we hope that it will be an important addition to moderate to severe dry eye treatment here. Sun Pharma is ranked number 1 and holds 8.33% market share in the over INR1,860 billion Indian pharmaceutical market as per AIOCD-AWACS MAT June 2023 report. Corresponding market share for the previous period was 8.5%.

As per SMSRC MAT June 2023 report, we are #1 ranked company. Sun Pharma is also ranked #1 by prescription with 12 different doctor categories. For Q1 FY '24, the company launched 10 new products in India.

I will now hand over the call to Abhay.

Abhay Gandhi: Thank you, Kirti. I will update on the performance highlights of our U.S. businesses. For Q1, our overall sales in the U.S. grew by about 12% over Q1 last year to USD471 million. The U.S. accounted for over 33% of consolidated sales for the quarter. U.S. specialty business has continued to do well and has grown well over Q1 FY '23.

We did witness seasonality in Levulan sales, leading to a dip in revenues on a quarter-on-quarter basis. The underlying business, however, and the prescription trend for the specialty business remains strong. We remain excited about our specialty product portfolio in both near term and the long term. For Q1, we launched 2 generic products in the U.S. on an ex-Taro basis.

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

Dilip Shanghvi: Thank you, Abhay, and good evening to all of you. I will provide an update on the performance highlights of our other businesses as well as give you an update on our R&D initiatives.

Our branded formulation revenues in the Emerging Markets were at USD261 million for Q1, up by 6.5% over Q1 last year. The underlying growth in constant currency terms was about 14% year-on-year for Q1. Emerging Markets accounted for 18% of total consolidated revenues for Q1. Amongst the larger markets, in local currency terms, Romania and Brazil have done well.

Formulation revenues in Rest of the World, excluding U.S. and Emerging Markets, were USD195 million, up by 2.6% over last quarter. Rest of the World market accounted for approximately 14% of consolidated Q1FY2 revenues.

We continue to invest in building our R&D pipeline for both the global generics and the specialty businesses. Consolidated investment towards R&D for Q1 FY '24 stands at INR6,796 million, 5.8% of sales, and this compares to INR6,657 million, 6.2% of sales, for Q4 FY '23 and INR4,608 million, 4.3% to sales, for Q1 FY '23.

Moving on to update on global specialty with highlights for the quarter. In Q1 FY '24, our global specialty sales were up by 21% to reach USD232 million. Specialty R&D accounted for 35.8% of our total R&D spend for the quarter.

In June, we presented data from 2 Phase I studies of Sun's GLP-1 receptor agonist at ADA conference in San Diego. In one of the studies, GL0034 reduced body weight after a single dose in obese individual without diabetes. In other study, reduction in body weight of up to 10.7% was observed after treatment with relatively low dose of GL0034. This was 8 weeks duration. We are quite excited with this early results and plan to initiate Phase II clinical trials shortly.

Moving on to Ilumya's ongoing Phase III studies in psoriatic arthritis. We've taken steps to accelerate the pace of the trial. This includes creating new enrolment at sites which have worked for us thus far as well as activating more sites. We will share expected trial completion time lines once we start seeing good traction in enrolment.

Further on specialty, in May '23, we entered into an exclusive agreement with Philogen for commercializing specialty product, Nidlegy, in Europe, Australia and New Zealand. Nidlegy is currently in Phase III trials for skin cancers. When approved, it can be prescribed by the same doctors as Odomzo as a good follow-on product for patients that do not respond to current treatment. In June '23, we received approval from Health Canada for our acne product, Winlevi.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saion Mukherjee from Nomura.

Saion Mukherjee: Sir, my question is on the domestic market. We have seen around 5% growth. I'm just thinking about this in the context of field force addition that we had done last year plus some price increases, which generally takes place. And on the other hand, you have the possible impact of NLEM and sitagliptin. So I'm just wondering, this number looks lower than compared to the IPM growth. So if you can just explain the dynamics there and how should we think about growth going forward?

And also, sir, we have seen companies getting into trade generics. There is aggressive competition from some of your peers, particularly in the chronic segment. So have the market dynamics changed in a meaningful way to impact growth?

Kirti Ganorkar: So I think our quarterly sales growth, it becomes a little difficult to comment on. But what I can say in last year Q1, '22-'23, we had a sitagliptin product which was under patent, and the patent expired in July. So that time, after the patent expiry, we have made the product affordable and there was a price reduction. That's why there was a loss in value. But in volume terms, we are doing good.

And there was another reason is the impact of NLEM. So NLEM was also announced in the month of December and January. And the full impact has come in this quarter where we see because of NLEM also, the growth has been subdued in quarter 1. But I'm very positive and hopeful that in coming quarters, we will see that we grow in line with market and try to see that we grow even better than the market.

Saion Mukherjee: Okay. And my second question is on specialty sales. You mentioned Levulan seasonality, but was it something significant this year? And if you can also give any update on the Concert pharma drug in terms of filing or any other discussion that you might have had with the U.S. FDA on this product?

Abhay Gandhi: So if I see the underlying base business and the prescription trends of all our major products other than Levulan, I think we are on the right trajectory. Last year Q4, there was also a finance factor which has to be considered, and that has had a small impact. But overall, I think we are on the right track.

On the second part of the question, Dilip bhai, if you would you like to respond?

Dilip Shanghvi: We don't have an update at this point of time, and we will share as soon as we have this update with you. The idea is to file this product at the earliest is what the focus is.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, on the R&D expense front, given these set of trials to start for the products you highlighted in the opening remarks. The full year guidance remains as it is, as you had highlighted at the 4Q FY '23 comments?

Dilip Shanghvi: Yes. I think as on today, you should consider the full year guidance. If there is a need for us to make any change, we will update.

Tushar Manudhane: Okay. And sir, other expenses, excluding R&D, have been sort of a bit volatile, number varying from INR2,600 crores in Q1 FY '23 to going up to almost INR3,000 crores in 4Q FY '23 and now we are back to close to INR2,770 crores. So any particular line item which sort of deviates with other expenses?

C. S. Muralidharan: So in our Q4 call, we already said that the sales and distribution in previous calls that these costs have some catch up and unlikely to escalate on the same pace going forward. There may be sales-related growth in these expenses going forward.

Tushar Manudhane: Okay. And just lastly, on the base business segment in the U.S. generics, what kind of price erosion are we witnessing now?

Dilip Shanghvi: No, I think, ultimately, the U.S. business dynamics, all of you are aware. And we don't generally respond on specific product pricing or specific product sales.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My question is again on the US, so not product specific, but if we exclude Taro and specialty, you have seen a meaningful pickup sequentially. So can you explain what has led to it?

Dilip Shanghvi: We couldn't fully catch the question. Can you repeat?

Damayanti Kerai: Yes. My question is on your US business, excluding Taro and specialty sales. So if we exclude these 2 parts, you have seen good sequential pickup. So just wanted to understand what has led to sequential pickup for your base generic business, whether it's good demand in channel or like improved supplies from your plants where we had some setback earlier. So a bit more of a clarity here will be helpful.

Dilip Shanghvi: Yes, Abhay, maybe you would like to respond.

Abhay Gandhi: Yes, sure. Sure. Damayanti, I think Mr. Murali, in his readout, has mentioned this, that we had significant sales of lenalidomide in the quarter, and that may be episodic going ahead. So in the first quarter, that was a significant contributor.

Damayanti Kerai: Okay. But some of your peers are talking about improved channel demand, etc. Are you seeing a similar situation?

Abhay Gandhi: It's product specific. For certain products, you are right, there is a channel demand which we've seen. But for certain products, I don't see. So on an aggregate level, I would not characterize it as a significant channel uptick in demand.

Damayanti Kerai: Okay. My second question is on your specialty business. So Abhay you mentioned you are on track for a prescription trajectory, etcetera. And except Levulan, others are going as per your expectation. So can you a bit comment on the pricing part also? Are we seeing any notable changes there? Or it's more steady?

Abhay Gandhi: So in the US, on the specialty side, I mean the pricing increase that we take is very nominal. So therefore, I think there has been no significant impact on pricing with the growth of the business.

Damayanti Kerai: Okay. And my last question is, can you provide any update on your plan to acquire remaining stake in Taro, which we spoke last quarter?

Dilip Shanghvi: So I think what we have shared with you in the past is that we've made a proposal to the Taro Board. And Taro Board, as a response to our proposal, has formed a special committee. They need to finalize the lawyers and bankers and all of that, that special committee. And then, at some point, the negotiation will begin. We have no further updates beyond what we have shared.

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: Abhay, my first question is on Mohali. I'm assuming we would have seen some impact from the Mohali consent degree and temporary suspension. Has that fully normalized? And should we expect any market share loss that we have had due to this temporary suspension to probably at least regain a large part of it in the course of the year? How should we look at normalization of supplies from Mohali?

Abhay Gandhi: So right now, the supplies from Mohali have not really started. Whether we will be able to regain all the market share will depend upon the market dynamics and the number of competitors and the length of the contracts that the buyers have signed up at the point that we enter the market. So the second part is really difficult to estimate. We will see when we get there.

Neha Manpuria: And is the supply restarting dependent on reinspection? Is that what we are waiting for? Or is it just remediation from your end, which is delaying the starting of supplies?

Dilip Shanghvi: Yes. I think there is no need for reinspection at this. Of course, for having the current restrictions cleared, we will need a reinspection. But for restarting supply, there is no need for a reinspection.

Neha Manpuria: Understood, sir. And by when do you think both Mohali and Halol would be ready for reinspection in your assessment?

Dilip Shanghvi: I think once we informed the agency that we are ready for a reinspection, we will share that information with all of you.

Neha Manpuria: Understood, sir. My second question is on deuruxo. Post the hold from the FDA on the 12 mg, the 8 mg, have we slowed the pace of that also as we decide on what we're going to file, etcetera? Or that's going as planned and there's no delay in the OLE studies for the lower dose?

Dilip Shanghvi: So broadly, our understanding is that the partial clinical hold, which has been lifted now, was for 12 milligram. So there is no slowdown in 8-milligram dosing.

Neha Manpuria: Okay. So that continues as planned?

Dilip Shanghvi: Yes.

Moderator: The next question is from the line of Surya Narayan Patra: from Phillip Capital India Private Limited.

Surya Narayan Patra: Yes. Congrats for the good set of numbers. Hello?

Dilip Shanghvi: Yes, yes, please.

Surya Narayan Patra: Sir, my first question is on the specialty business and that too the specialty outside of US. So during this quarter, we have announced this Chinese partner, CMS, has got the approval for Ilumetri. Congratulations there. So how bigger or how exciting development it is for us? And because in terms of the patient population there in the psoriasis listing, if I see then, it is similar to US. So can it be the largest market outside of US so far as the Ilumya is concerned, sir?

Dilip Shanghvi: I think China can be an interesting market. Once we, I think, launch the product, we will get a better sense. We believe that CMS, because of its significant existing linkage with dermatologists, is quite well positioned to work for a good market share for the product.

Surya Narayan Patra: Okay. And this is also a kind of partner for other specialty products, also for us in the US in China, right, sir? And can this association be kind of a relatively important and larger one so far as global specialty business outside the US is concerned?

Dilip Shanghvi: I mean we have licensed 1 or 2 generic products as well as CEQUA to them. And I think our view is that managing multiple relationships is far more difficult and challenging than to manage a limited number of relationships.

But at the same point of time, innovative products to be marketed, the company also needs to evaluate its ability to reach customers cost effectively. Incidentally, CMS has existing business presence in both ophthalmology as well as dermatology, and that makes it easier for them to promote both these products.

Surya Narayan Patra: Okay. The second question is on again, Ilumya. The progress of the Ilumya for the psoriatic arthritis indication. So whether the clinical and commercial development of this molecule will follow the similar order what Ilumya had seen for the other indication in terms of the market approval? So I mean, even if the approval has to come, that will come in the US first, then

followed by other countries. Is that kind of a chronological development that we should anticipate for that, sir?

Dilip Shanghvi: I think the plan is, of course, to file the product first in the US. But also since it's an additional indication, in the other geographies, we should be able to get that filed in a relatively short time. And the idea would be to augment the indication in all the geographies that we are marketing the product.

Surya Narayan Patra: Okay. Sir, just an extended one from this question only. Let's say, the R&D spend, if I see, excluding of the specialty, it is remaining in the kind of a similar range and higher number itself. So -- whereas the filing of ANDAs, if we see for US, that has, to some extent, got moderated. So how should we see that? Is it right to think that -- now our focus is diversifying our strength, R&D capability and all for developing products for not only US market but all major markets, including India? And also, leveraging the products of the US could be the specialty products for other markets?

Dilip Shanghvi: I don't have exact response. But one of the reasons why I think the filing numbers that you see is lower is also because of the ransomware attack that we had seen. So since we were unable to retrieve the data of many of the products, it impacted our filing capability. So, as we are going back to normal, we should then be able to file those products.

Surya Narayan Patra: Sure, sir. Sir, just one single-liner question. Sir, for the global specialty business, outside of the US, whether it is a kind of low double-digit number in terms of share, can you give some sense? Because we are seeing multiple developments outside of the US, either it is Canada for multiple products or various other, Europe, Japan, now Australia and New Zealand and all that. So have we seen a kind of a low double-digit kind of a share for our global specialty business outside of US?

Dilip Shanghvi: It's difficult for us to quantify overall value. But generally, people say that typically for most of the companies, Rest of the World, especially for biologics, would represent anywhere between 25% to 35% share of the global market. Now in that, Europe is a major market. And in Europe, we don't capture the full value of sale. We only capture the value of sales that we make to Almirall in our numbers.

Moderator: The next question is from the line of Nithya from Bernstein.

Nithya: One question on Taro. If you can help us understand the strategic intent behind consolidating the assets as well as how you're thinking about bringing it back on the growth path?

Dilip Shanghvi: What is the question? Is that why are we buying it now?

Nithya: Why are you buying it? Why are you buying it now? And once you do consolidate, what will change in terms of the strategy for Taro? How can we - how can you bring it back on the growth path, which has been lacking for the last several quarters?

Dilip Shanghvi: So my own assessment is that the dermatology business, which is the primary focus for Taro, is a business under constant, increasing competition pressure. And as a stand-alone company, it will be very difficult for Taro as an independent company to continue to operate that business profitably. So that broadly is the reason why we felt that it's useful for us to consider integrating that with Sun Pharma.

Nithya: Why -- so I understand that it then gets subsumed under a lot of other things you're probably doing in the US, but would there anything that you would change to try and inject some growth into that business?

Dilip Shanghvi: Some of these issues that you're raising, is difficult for -- because it will then be selective disclosure or disclosure on behalf of Taro. So I don't think I would - it's appropriate for me to respond at this point.

Nithya: All right. Second question on your R&D strategy when you're thinking about specialty. If you look at the kind of assets you're working on, while the dermatology assets are obviously complementary to your existing portfolio, but osteoarthritis or a diabetes asset, these are, again, assets for which you will actually have to take it to a very different set of physicians, probably at least in the US. So how are you thinking about the long-term strategy when you're working on so many different therapeutic categories?

Dilip Shanghvi: I think these are valid questions, and we are also questioning some of those best options for us is that whether we are the best company to commercialize this asset or we should

consider licensing. But osteoarthritis, once we get a psoriatic arthritis indication, there is a certain amount of overlap with the potential prescribers in some of the geographies.

For diabetes or weight loss or even in NASH or any other indication where GLP-1 potentially can be used is generally a large field force requiring indication. So it's possibly closer to when we need to take a decision, we will need to get co-marketing partners for many of the geographies. But in emerging markets, India, and in other markets where we have significant share in prescription business, we are well positioned to leverage that product to become very successful.

Nithya: Mr. Shanghvi, isn't your energy and R&D money better spent on more assets that are complementary to your existing portfolio? While I'm not denying that there might be, there is option value here.

Dilip Shanghvi: If I look at our evolution as a company, generally, we've found a way to enter markets using a successful, good product and then gradually expand our businesses to different specialty. And that can and will continue to work for us in emerging markets in India.

In large international markets, for acquisitions as well as for licensing products, we are looking at ophthalmology and dermatology as our focus, only for, let's say, - and for other products, we want to look at what is the best option for us.

We are also not ruling out future acquisitions, which can also help us in ability to market this product more effectively when they are closer to market.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: Just two questions. First, Abhay, you had some mention about lenalidomide sales in your opening comments, but I couldn't quite understand. Did you mean the June quarter lenalidomide sales is higher than March quarter or lower than March quarter?

Abhay Gandhi: Exact numbers as a comparator, we generally will not disclose. But for the quarter that we are talking about, it's a significant contributor.

Bino Pathiparampil: Okay. So you don't want to say which quarter was bigger? Hello?

Dilip Shanghvi: Yes, that's the answer which Abhay gave.

Abhay Gandhi: Yes. That's what I said.

Bino Pathiparampil: Second, on this forex loss, one-off forex loss that you booked in Nigeria, what is that? what nature is that? Is it a write-off of inventory, receivables or something else? What exactly will that be?

Dilip Shanghvi: So this, you're talking about the onetime write-off?

Bino Pathiparampil: Correct.

Dilip Shanghvi: Yes. Murali, maybe...

C. S. Muralidharan: See, in the readout, we had mentioned that we have provided for about INR149 crores towards an acquired intangible asset which was under development, which is the AS012 for clinical trials for vitiligo.

Bino Pathiparampil: No, I'm not asking about that. There is a one-off forex loss included in your one-off items. There is a forex loss in Nigeria.

C. S. Muralidharan: So the forex loss in the month of June, the Nigerian Central Bank had removed the trading restrictions on its official market, which eventually led to the Nigerian currency dropping significantly record low to U.S. dollar and this provision -- exceptional item was towards that.

Bino Pathiparampil: Yes. So is that on the inventory or receivables or some assets? That is my question.

C. S. Muralidharan: It's a mark-to-market payable.

Moderator: The next question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: So the first one on the specialty R&D. So sequentially, if I look at, almost $25 million specialty R&D has gone up to around $30 million. And in quarter 3, it was somewhere around $21 million. So would you say the primary driver for this, let's say, jump from quarter 3 levels to the current level would be Concert Pharma?

C. S. Muralidharan: So our recommendation would be that probably looking at the quarterly R&D numbers may not be appropriate. However, Mr. Shanghvi already mentioned that we're working towards the various clinical trials of various candidates, what we have, and we are on track to achieve R&D guidance for the year.

Kunal Dhamesha: But would you say that Concert has already been factored in almost fully because that trial is ongoing?

C. S. Muralidharan: Yes. Yes. Concert is part of our R&D guidance.

Kunal Dhamesha: I'm saying Concert is fully factored in this quarter? Can you say that, because that trial is ongoing?

C. S. Muralidharan: Yes. Yes.

Kunal Dhamesha: Okay. Perfect. And second for Mr. Gandhi on the Ilumya. Since we have Humira biosimilars that have been launching over the last 1 quarter, have we seen any impact in terms of acquiring new patients for Ilumya? Or would you say the new patient growth trajectory largely remains intact for us?

Abhay Gandhi: We haven't seen any negative impact because of the entry of the Humira biosimilars.

Kunal Dhamesha: Even on the new patient acquisition?

Abhay Gandhi: No, we haven't.

Kunal Dhamesha: Perfect. And let's see, when we conduct this trial of psoriatic arthritis for Ilumya, if we get an approval, how does the exclusivity period work for the new indication for biologics?

Dilip Shanghvi: So my understanding broadly is that there are product patent, which basically means compound patent, then there are method of use patent. And then there are indication patents. So many of the products which I see, like Humira, have multiple indications. So, depending on the geography, people have to do both multiple indication studies as well as interchangeability studies because these are all chronic treatment products.

Kunal Dhamesha: My question was more related to the U.S. FDA, data exclusivity generally for biologics is around 12 years, right? But if we get the same product approved for another indication, do we get another data exclusivity for that indication which is separate 12 years? Or how does its kind of work?

Dilip Shanghvi: No, honestly, I don't think I have looked at. I think our focus would be we would have some kind of patent on indication. And that basically means that people will have will not get this indication on their label.

Kunal Dhamesha: Sure, sure. And the last one on the generic side. Since we have this Halol plant trouble around last 7, 8 years now, would we have not de-risk our key products by doing a multi-location filing or multi-plant filing for the bigger products?

Dilip Shanghvi: I think at a concept level, it works. At operational level, especially when you have specialized product requiring very different kind of manufacturing infrastructure, it is very difficult to execute.

Kunal Dhamesha: Okay. And then does US FDA also not look this kind of changes very kindly because its kind of increases administrative burden on them to kind of go and inspect 2 plants versus 1 plant for the same product? Or is there any...

Dilip Shanghvi: If you file from a new product, it's filed from new product. If it's an additional plant, there is a regulatory process. They can't be happy or unhappy about what is their regulatory process. Many multinational companies have same product manufactured in multiple facilities. So they inspect and approve all of those.

Moderator: The next question is from the line of Harsh Bhatia: from Bandhan Asset Management.

Harsh Bhatia: Yes. Hope I'm audible. Just one quick question, broader aspect. There's a lot of news flow in terms of the number of people being kicked off or rather losing their Medicaid coverage. So I think , sir, the last figure that I could see was 4.5 million, but some sources indicate that, that could go up until 15 to 20 million...

Dilip Shanghvi: I'm sorry, you're very, very soft spoken. Can you just amp it up a bit, please?

Harsh Bhatia: Is this better?

Dilip Shanghvi: Yes, better.

Harsh Bhatia: Yes. My question was very broader in nature to the sense that there's a lot of news flow in terms of the number of people losing their Medicaid coverage in the U.S. So the last figure that I could see was 4 million people, and there were some indications that it could go up to 15 million people. So maybe not in particular with regards to Sun Pharma as a whole, but any broader thought or anything that we should read into it from the industry perspective for the U.S. market?

Abhay Gandhi: So it's a very broad and sort of question that you wish to learn. So what I would suggest is that I will brief Abhishek separately and he can share the details with you. I understand where you are coming from, but maybe a better way would be that I brief Abhishek and he in turn can speak to you and give you the details.

Moderator: The next question is from the line of Saion Mukherjee from Nomura.

Saion Mukherjee: Sir, just one clarification. Actually, your comment is that from Mohali, there was no sale this quarter. And it was a bit of a surprise. I think in the last call, I got an impression that things should start flowing from Mohali. So if you can just give us an update there? And is it true - that there's 0 sales from Mohali including generic Pentasa this quarter?

Abhay Gandhi: I mean I didn't say there was zero sales from Mohali. I said supplies from Mohali have not resumed. But we had some inventory and therefore, there would be some residual sales that happened.

Saion Mukherjee: Okay, okay. But it would be sort of materially lower versus, say, versus last quarter?

Abhay Gandhi: That would be correct.

Saion Mukherjee: Okay. Great. Mr. Shanghvi, just a few questions for you at -- I remember like maybe a couple of years back, you mentioned about biosimilars and Sun Pharma's intent to build capability on that sphere. We haven't heard any sort of an update on that. So what are your thoughts now given the market has evolved to an extent? So how is Sun thinking about building capability in that area?

Dilip Shanghvi: Even I think at that time, I was very tentative because that time also my concern was that product -- investment on individual product is very large and not very different in some cases to what you would require to invest for developing a specialty product. So, and I remain equally tentative now, which means that we are not kind of all-in in biologics, unlike many companies who have significant investment and exposure to that business.

Saion Mukherjee: Understood. And, Mr. Shanghvi, the other question, again, for the India market. A lot of your peers have started doing trade generic. Sun Pharma has a very wide portfolio of products. Do you think strategically it makes sense to sort of take this products to, let's say, tier 2, tier 3 and smaller cities and towns through the trade generic route? Any thoughts from your side on this?

Dilip Shanghvi: Kirti, maybe you would like to respond.

Kirti Ganorkar: Yes. We remain focused on generating prescription through super specialty and specialties and physicians. That's the core part of our business. And I think there is a great opportunity in that business, even to grow from where we are today. So that remains our core focus.

Moderator: We take the next question from the line of Cyndrella Carvalho from JM Financial.

Cyndrella Carvalho: Yes. Just your generic business. So would you be able to help us understand if these shortages, supply challenges, highest drug shortages in the last decade. So where are these opportunities? Are we seeing these opportunities across the product basket or they are largely concentrated on the injectable side? And where we can participate?

Dilip Shanghvi: I don't know, Abhay, whether you understood the question, but I couldn't fully understand it.

Abhay Gandhi: No, I did not. I could not understand the question. Ma'am, can you repeat the question?

Cyndrella Carvalho: Sure. So I was asking, we are hearing highest number of drug shortages in the U.S. market on the generic side and largely concentrated on the injectable side. So are we also experiencing some opportunities from our product basket-wise and if we are able to participate and how long do you see any visibility on these kind of opportunities or onetime buys that you are seeing in the market right now, specifically on the U.S. generic side?

Abhay Gandhi: Right. Now I understand. I think whenever the buyers or some market through we get to know about a certain product being in short supply, we do an overlap analysis and see whether there's something for an opportunity. As of now, for our range of products, I haven't seen any big opportunities, which can swing the pendulum, so to say.

Dilip Shanghvi: But also, Abhay, I think we don't have a very large portfolio of injectable products.

Abhay Gandhi: We don't, yes.

Cyndrella Carvalho: Right. And specifically on Winlevi, sir, we are seeing some uptick on the volume side. Any commentary on that? Are there any strategy change that we are working on which is helping us?

Abhay Gandhi: Sorry, can you again repeat? We have seen a what? We have seen a what with WINLEVI did you say?

Cyndrella Carvalho: In case of WINLEVI, volumes, we are seeing some uptick. So would you like to comment if any specific strategy helping us around here or any trends which are working in our favour?

Abhay Gandhi: So I think if you look at the overall context of WINLEVI, and it's important that we understand this. If I look at the branded basket of products, that is where we essentially compete, you can't compete with the generics on price, out of the almost 10 branded products in acne, we have 26% share of market. And in terms of, let's say, number of customers who have used the product, 91% of acne-prescribing doctors have given a trial for WINLEVI. Sorry, I heard something.

Cyndrella Carvalho: Continue, sir. I'm listening, please.

Abhay Gandhi: Yes. So I think this indicates to us that the product is accepted by the doctors. And we, of course, continually try to see that we improve the access. And one of the reasons for the uptick that you saw is because of one important payer agreeing to cover the product a couple of quarters ago. So that has been one of the major reasons. And it's an ongoing process. We continue to work on improving the access every single day, every single quarter, and we hope that the momentum sustains.

Moderator: The next question is from the line of Ishita Jain from Ashika Stock Broking.

Ishita Jain: My first question is maybe a little into the future, but what is our assessment on capturing the market for deuruxolitinib, given that there is another JAK inhibitor that got approved recently and is a much more convenient dosage of once daily whereas our product is twice daily?

Dilip Shanghvi: Abhay, you will respond?

Abhay Gandhi: Yes, I can. I mean when we see the data for our product, we feel we have a very competitive product. And for the indication that we are talking about, which is alopecia areata, I mean the patient enrolment is very high. So to get better results, I think an OD versus a BD dose will not really change the uptake is what we feel.

Ishita Jain: Got it. And my second question is, so products like XELPROS are currently under supply shortage in the U.S. as we're in the process of shifting them from Halol to a regulatory compliance unit. Can you provide an update on that?

Abhay Gandhi: It will take us some time to come back to market with the product. We will eventually and work is being done towards that end.

Ishita Jain: Got it. And in terms of SEZABY, it's been half year since launch. If you can give some idea on how has the uptake been? This is the last question.

Abhay Gandhi: I think in one of the earlier calls, I said this, I mean it is not a single source of purchase. We have to go hospital formulary by formulary, involving different stakeholders right from the purchase committee to the technical committee and so on. So it's a gradual uptick that we see, not an immediate big spurt.

Ishita Jain: Got it. I mean, I guess that would probably be the way to go since it is probably first in line treatment or first product ever. Is that correct, in our indication?

Abhay Gandhi: No, sorry, I didn't get that question.

Ishita Jain: So it is the first product in this...

Abhay Gandhi: You're talking about SEZABY, right?

Ishita Jain: Yes, I am. Yes, I am.

Abhay Gandhi: So doctors will always have two options here. They will either use the phenobarbital or our product, SEZABY, maybe, or they could use levetiracetam. So doctors have two options. And depending on the doctor, they will have a different line of considering what is essentially first line. But through years of experience, I mean phenobarbital as a molecule clearly has very good acceptance.

Moderator: Well, that was the last question for the evening. I would now like to hand the conference back to Dr. Abhishek Sharma for closing comments.

Abhishek Sharma: Thanks, everyone, for dialling in. For any remainder questions that you may have, which are unanswered, you can reach out to the IR team. Thank you, and have a good evening.

Dilip Shanghvi: Thank you.

Abhay Gandhi: Thank you.

Moderator: Thank you very much. On behalf of Sun Pharma, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.