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Text of the speech delivered by Mr. Israel Makov, Chairman & Mr. Dilip Shanghvi, Managing Director at the 23rd AGM of Sun Pharmaceutical Industries Ltd., held on October 31, 2015 at Vadodara

Mr. Israel Makov

Dear Fellow Shareholders,

On behalf of the Board of Directors, I welcome all of you to the 23rd AGM of your company. Let me begin with some key highlights starting with the Ranbaxy acquisition:

- As you may recall, in April-2014, we proposed the acquisition of Ranbaxy Laboratories in an all-stock transaction at an enterprise value of US$ 4 billion. We completed this transaction 11 months later in March-2015 post receipt of all regulatory approvals.
- Following the acquisition of Ranbaxy, we have embarked upon an exciting journey at Sun Pharma. We have broadened our scale of operations and geographic reach, gained a diverse and highly complementary portfolio of products and a global talent pool. These equip us well for continuous growth in the future.
- This landmark transaction has the potential to create significant value for all our shareholders (new and old) by capitalizing on the expanded global footprint and enhancing our position in the specialty generics landscape.
- The merger fortified Sun Pharma's position as the world's fifth largest specialty generic pharmaceutical company and the top ranking Indian pharmaceutical company with significant lead in market share.
- The overall business has become much more balanced with about 50% of sales contributed by the US, 24% coming from India, 14% contributed by Emerging Markets and around 12% coming from the rest of the world and other businesses.
- Our company has a strong track record of turning around its acquisitions into success stories. Ranbaxy is a large and complex acquisition and it will take us a few years to fully realize its potential benefits. However, a detailed and robust integration plan is being implemented to generate maximum value from this merger.

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I'll now list some of the key trends in the global pharmaceutical industry:

- As per IMS, The global pharmaceutical market is estimated to reach US$ 1.3 trillion by 2018, growing at a CAGR of 4-7%. The key growth drivers for future include an increasing shift to the use of generic medicines, rising share of emerging economies in global GDP, aging population and rising life expectancy, increasing access to advanced healthcare, improving healthcare awareness and improvement in medical practices.
- Amongst emerging markets, the high-growth pharmerging markets are expected to record 8-11% growth in this period, compared to the single-digit growth of the global industry.
- Generics are the largest driver of growth globally. Generics will account for over 50% of the incremental growth between 2013 and 2018. Generic drugs take a much bigger market share in pharmerging countries, while branded drugs continue to form almost two-thirds of global spending in the developed markets. Across various markets, governments continue to be concerned about escalating healthcare costs thus often making generics a preferred choice. Overall, we expect this trend to continue to favor generic use which increases the potential of our business.

Let me briefly talk about some of the key markets:

- As per IMS, the US was the largest pharmaceutical market globally, and it is estimated to grow at a compound annual growth rate of 5-8% to reach US$ 450-480 billion by 2018 and Sun Pharma is the largest Indian supplier of pharmaceutical products to this huge market.
- The Indian pharmaceutical market is estimated to reach US$ 21-31 billion by 2018 recording a CAGR of 9-12%, establishing it as the 11th largest pharmaceutical market by 2018, compared to its 13th position in 2013. Key demand drivers for increased medicine consumption in India include: rising healthcare awareness leading to an increase in spending on medicines, changing life-styles leading to growing incidence of chronic

ailments, improving health insurance coverage and increased access to modern medicines driven by rapid urbanization.

- Sun Pharma along with Ranbaxy is by far the market leader in India with about 8.9% market share and is well positioned to capitalize on the market opportunities.
- With the Ranbaxy acquisition, your company has made an entry into the global consumer healthcare market. As per a report by Accenture, this market is expected to register 8% CAGR to reach US$ 737 billion by 2017. The growth will primarily be driven by preventive health and wellness categories, such as vitamins, nutrition, weight management and fortified foods and beverages; and spurred on by demand from digitally-enabled, health-conscious consumers and the growing wealth of emerging market consumers.

I now request Mr. Dilip Shanghvi our Managing Director to discuss and review our business and share a summary of our key challenges, opportunities, and steps ahead.

Mr. Dilip Shanghvi – Thank you Mr. Makov.

Before I begin, let me highlight that the numbers for FY15 include the full-year impact of the Ranbaxy merger and hence are not strictly comparable with that of FY14. Let me begin with the overall performance highlights of FY15:

- The fiscal year 2015 was a very eventful year for Sun Pharma. It presented its own set of opportunities and challenges for the Company.
- During the year, we merged Ranbaxy into Sun Pharma and took a few strong initiatives towards strengthening our specialty pipeline.
- We also experienced some near-term challenges, specifically regarding cGMP compliance at the Halol facility. We are in the process of remediating these issues.
- Our R&D efforts continue to be directed towards building a strong and differentiated product pipeline. These R&D efforts include a pragmatic mix of initiatives directed towards generating short-, medium- and long-term cash flows. During the year, we

also took steps to strengthen our presence in the controlled substances segment and to further enhance our capabilities in the injectable segment.

- Net sales for FY15 were Rs 27,286 crore up by 70% year-on-year while EBITDA was up by 10% to Rs 7,817 crore.
- Net profit after minority interest grew by 45% to Rs 4,539 crore. Excluding the provision for generic Protonix litigation, net profit would have declined.
- Our business continues to generate healthy cash flows. For FY15, net cash-flow from operations grew by 34% to Rs 5,322 crore.
- US was the largest contributor to our revenues, accounting for 50% of consolidated sales. US revenues recorded 40% growth to Rs 13,720 crores.
- Our subsidiary Taro, reported good performance with topline growth of 14% to US$ 863 million, while its net profit grew by 34% to US$ 484 million. Most of the increase was driven by better pricing environment.
- Our India formulations business recorded 82% revenue growth to Rs 6,717 crore. India accounted for about 24% of consolidated sales.
- Our revenues in emerging markets increased by 260% to Rs 3,733 crore mainly driven by the consolidation of Ranbaxy’s emerging markets business but partly moderated by currency volatility in a few markets. Overall, emerging markets accounted for about 14% of our consolidated revenues.
- Our Rest of World sales grew by 166% for the year to Rs 2,332 crore and accounted for about 8% of consolidated revenues.
- API revenues grew by 31% to Rs 1,070 crore and accounted for about 4% of sales.
- We spent over Rs 1,900 crores on R&D accounting for 7.2% of sales. As of 31-March-2015, we had a comprehensive portfolio of 438 approved ANDAs and 159 ANDAs pending approval with the US FDA. During the year, we filed 19 ANDAs and received 14 approvals from the US FDA.

Let me talk briefly about the Ranbaxy integration:

- The key objective of this merger is to accelerate growth and create opportunities for all stakeholders. The combined organization will benefit from substantial synergies that lie in our technologies, combined pipeline and R&D expertise, wider product portfolio and enhanced manufacturing footprint, driven by our larger talent pool.
- Key areas of priority for the integration include: Achieving 100% compliance to global cGMP standards in line with regulator expectations, Increasing R&D productivity, Enhancing presence in the specialty segment, especially in the US market and Target synergy benefits of US$ 300 million by FY18 from the merger.
- As a part of the integration process, the Company expects to incur certain integration charges in order to generate long-term synergies from this merger. Also, as a part of the integration process, the Company may decide to discontinue certain non-strategic businesses.

Let me also briefly talk about our efforts towards enhancing our presence in complex generics and specialty segment:

- At Sun Pharma, we had embarked on a journey some years back to increase the share of complex generics and specialty products in our global portfolio. The overarching intent behind this is our objective of building a business, which can generate sustainable value for all our stakeholders.
- In-licensing early-to-late stage clinical candidates, as well as getting access to on-market patented products are some of our initiatives in this journey.
- Dermatology and Ophthalmic are the key segments targeted through these initiatives besides a few other segments.
- Today, we are among the leading branded companies in the US dermatology segment driven by innovative products like Absorica, Kerastick and the Topicort range of products.
- During the year, we took a step further towards strengthening this presence by entering into an exclusive worldwide in-licensing agreement for Merck's investigational

therapeutic antibody candidate, MK-3222, which is currently being evaluated in Phase3 trials to treat chronic plaque psoriasis, a skin ailment.

- Another such step towards enhancing the specialty portfolio was the in-licensing of Xelpros for the US market, from Sun Pharma Advanced Research Company Ltd.
- Our subsidiary Taro has recently launched Keveyis, an orphan drug for partial paralysis in the US market.
- A key requirement of establishing a specialty business is having access to strong and capable talent. As a part of this objective, we have recently initiated the process of building specialty teams for MK-3222 and the ophthalmic segment in US.
- We continued to invest in developing and filing complex products and building a differentiated pipeline for the US. We offer a wide product basket in the US, including a prudent mix of normal generics, Para-IV filings and limited competition products. Over the past few years, Sun Pharma has developed or acquired capabilities across a wide range of dosage forms including injectables, nasal sprays, liquids, ointments, tablets and capsules.

Let me also talk about global cGMP compliance which has become a very important determinant of future success:

- In FY15, many of our manufacturing facilities underwent audits from multiple regulatory agencies.
- While most of these audits were satisfactory, the US FDA audit at our Halol facility pointed out certain cGMP deviations. We immediately initiated a detailed action plan to address these deviations and relevant remediation steps are currently ongoing. This remediation process has temporarily impacted our supplies and product approvals from this facility, which we expect to improve, once the entire remediation process is completed and the facility gets recertified.
- The remediation process at the erstwhile Ranbaxy facilities, which were found to be non-compliant in the past, also continues as per plan. While significant efforts to make these facilities compliant are on, this will be a time-consuming process.

- We remain committed to 24x7 cGMP compliance and are working with reputed global experts to ensure that all our facilities remain compliant. We have also significantly strengthened our capabilities by recruiting global talent with strong expertise in quality and compliance.

Let me end by giving you an overall outlook for the Company:

- In the near term and especially for FY16, the overall growth in revenues and net profit will be adversely impacted due to the temporary supply constraints at Halol facility and due to certain expenses and charges arising out of Ranbaxy integration as well as remedial actions. Post the consolidation in FY16, the Company will be better placed to pursue higher than industry growth in subsequent years.
- We expect Sun Pharma to evolve as a company with an interesting mix of high-value complex generics and branded products, persistently working for patients across the world. Our specialty strategy coupled with the benefits from the Ranbaxy merger and the targeted productivity improvements, should favorably impact our profitability in the long term.
- This evolution will entail taking multiple initiatives, both organic and inorganic as well as taking higher risks.
- Guiding us in achieving this long term objective is our Board of Directors which brings in significant experience, integrity and accountability. We also have a pool of highly skilled and motivated employees which helps us in achieving this objective year after year. I would like to thank both, our Board and our employees for this.
- I am also grateful to our other stakeholders including our customers, the local community and various regulators for their constant support.

And lastly, I would like to thank all of you, our shareholders, for the confidence that you have consistently reposed in us. Thank you.

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