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February 06, 2024

National Stock Exchange of India Limited
Scrip Symbol: SUNPHARMA

BSE Limited
Scrip Code: 524715

Subject: Q3 FY24 Earnings Call Transcript

Please find enclosed herewith a copy of the transcript of the Company's Q3FY24 earnings conference call, which we shall be uploading on our website after sending this letter to you.

This is for your information and record.

Thank You,

For **Sun Pharmaceutical Industries Limited**

ANOOP ANJANIKUMAR DESHPANDE

Digitally signed by ANOOP ANJANIKUMAR DESHPANDE
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(Anoop Deshpande)
Company Secretary and Compliance Officer
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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 Q3 FY'24 Earnings Conference Call of Sun Pharmaceutical Industries Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Dr. Abhishek Sharma, Vice President and 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 Third Quarter FY'24 Earnings Call. I'm Abhishek from the Sun Pharma Investor Relations team. We hope you have received the Q3 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 of India Business.

Today, the team will provide an update on financial performance and business highlights for the quarter, pipeline updates 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.

The discussion today might include certain forward-looking statements, and these must be viewed in conjunction with the risk at our business faces. You are requested to ask two questions in the initial round. 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 our CFO, Mr. C.S. Muralidharan.

C. S. Muralidharan: Welcome and thank you for joining us for this earnings call after announcement of financial results for the third quarter FY'24. Our Q3 financials are already with you. Q3 FY'24 sales were at INR121,569 million, a growth of 9.5% over Q3 FY'23 and higher by 1.3% over Q2 FY'24.

Material costs for the quarter was at 22.5% of sales, lower year-on-year on account of better product mix, including higher specialty sales. Staff costs came in at 19.4% of sales, higher than Q3 FY'23 on account of merit increase and consolidation of Concert.

Other expenses were at 32.3% of sales, higher year-on-year on account of increase in selling and distribution expenses and higher R&D spend, including consolidation of Concert business. Forex gain for the quarter was INR1,246 million compared to a loss of INR31 million in Q3 FY'23.

EBITDA, including other operating revenues, was at INR34,768 million, higher by 15.8% over Q3 last year. The EBITDA margin for the quarter was 28.1% compared to 26.7% in Q3 FY'23 and 26.1% in Q2 FY'24. Adjusted net profit, excluding the exceptional items for Q3 FY'24, was INR25,936 million, representing growth of 19.7% over Q3 FY'23.

Reported net profit for Q3 FY'24 stands at INR25,238 million as against reported net profit of INR21,660 million in Q3 FY'23. The effective tax rate for Q3 FY'24 was 14.1%. Reported EPS for the quarter was at INR10.5 per share.

As of 31st December 2023, net cash was $2.3 billion at consolidated level and about $990 million on ex-Taro level. Post reduction of gross debt by $640 million in the first 9 months, the closing gross debt as on 31st December 2023 was $114 million.

Now we will discuss the 9 months performance. Gross sales were at INR359,451 million, a growth of 10.4% over last year. Material costs for 9 months was at 23% of sales, lower than last year, mainly due to product mix, including higher specialty sales.

Staff cost stands at 19.8% of sales higher vis-à-vis last year on account of annual merit increase on consolidation of Concert. Other expenses were 31.2% of sales higher on account of higher selling and distribution and R&D expenses, including Concert. Forex gain for 9 months was INR925 million compared to a loss of INR989 million for the same period last year.

EBITDA for the 9-month period was at INR99,880 million, a growth of 12.9% with resulting EBITDA margin of 27.4%. Adjusted net profit for 9-month period was at INR73,145 million, up 12.7%. Reported net profit for 9 months was INR69,218 million compared to INR64,891 million in the same period last year.

Moving on to Taro's performance. Net sales of $157 million increased in part due to new product launches and gross-to-net adjustments. Net profit for the quarter was $20.2 million. For the 9 months, sales were at $464 million, up by 8.9% due to onetime gross-to-net adjustments. Excluding these adjustments, the sales growth was mid-single digit. Net profit for 9 months FY '24 was $38.8 million compared to $18.5 million in 9 months FY '23.

I now hand over 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 Q3, the sales of formulation in India were at INR37,785 million, recording 11.4% growth over Q3 FY '23.

India formulation sales accounted for 31% of total sales for the quarter. Sun Pharma is ranked number 1 and holds 8.51% market share in the over INR1,933 billion of Indian pharmaceutical market as per AIOCD-AWACS MAT December '23 report. Corresponding market share for previous period was 8.46%.

For the quarter ending December '23 we grew higher than IPM and we have done well across all major represented therapy areas, and we are growing faster than the market. As per SMSRC MAT October '23 report, we are number 1 ranked companies and Sun Pharma is also ranked number 1 by prescription with 12 different doctor categories.

For Q3 FY '24, the company launched 28 new products in India, and we are seeing good momentum in the in-licensed product that has been launched in the recent past.

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 Q3, our overall sales in the U.S. grew by 13.2% to $477 million. The growth was driven by Specialty business, including Ilumya, CEQUA and Levulan, but partially offset by impact of ongoing Halol and Mohali facility issues in the generics business.

U.S. accounted for over 33% of total sales for the quarter. U.S. Specialty business has continued to do well and has grown over Q3 FY '23. The underlying business and the prescription trend for the Specialty business remains strong. For Q3, we launched 3 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 thanks all the participants. 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 Emerging Markets were at $252 million for third quarter, lower by around 2.3%. The underlying growth in constant currency terms was about 5.2% year-on-year. Emerging Markets accounted for 17% of total consolidated revenue for Q3. Amongst the larger markets in local currency terms, Brazil and Romania have done well.

Formulation revenues in Rest of the World were $214 million, up by 12.9%. ROW markets accounted for approximately 15% of consolidated Q3 revenues. We continue to invest in building an R&D pipeline for both the Global Generics and the Specialty businesses. Consolidated investment towards R&D for Q3 '24 stands at INR8,245 million, 6.8% of sales. Specialty R&D accounted for 39.2% of our total R&D spend for the quarter.

Moving on to updates on Global Specialty. In Q3 '24, our global specialty sales were up by 26.1% to reach $296 million. This includes a milestone payment from Almirall of $20 million received in Q3 '24. Excluding milestone payment, the growth is 24.2%. We've also disclosed that our partner product, Nidlegy should be filed with Europe authorities during the first half of current year.

Once approved, Nidlegy will enhance our offerings in skin cancers and synergize well with our growing Odomzo franchise in Europe. Phase III trials of MM-II and Phase II trials of GL0034 both early are expected to start in early '24 are now moved with the expected start date in second half of '24.

Among recent events, Sun has entered into a definitive agreement with Taro to acquire the minority shares at $43 per share, subject to certain closing conditions. The agreed price of $43 per share is poised to deliver 48% premium to unaffected price on May 25, '23. The fully combined entity will be better positioned to service patients globally. As all of you are aware, this is finally to be approved by minority shareholders of Taro and subject to closing by that.

I will now hand over to Murali for his final comments.

C. S. Muralidharan: In addition to the financial performance and business I've shared earlier, the Board has declared an interim dividend of INR8.50 per share for the year FY '24 against INR7.50 per share interim dividend for the previous year.

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

Moderator: The first question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Hi, thank you for the opportunity. Good evening, everyone. So first one on the Specialty. Let's say, we are growing strongly and the prescription trends are also strong. But from here on, when we see our key products like Ilumya, CEQUA and Winlevi, what type of incremental P&L investments are required for us to grow in the U.S. market?

Abhay Gandhi: The question was what kind of P&L investment...

Dilip Shanghvi: Additional investment.

Abhay Gandhi: Additional investment, okay. So I mean there will be additional investment based on the trajectory of the products that you see in the budgets that we take for next year. So that -- as we go along, we will

have more clarity because we are right now into the budgeting cycle. So I don't have complete visibility. But yes, we will continue to invest on the products and find ways to keep growing.

Kunal Dhamesha: My question is more like what kind of spend, whether it would be more people on the sales force, more marketing or more, let's say, open strategies, etcetera, what those incremental investment in which kind of line items will be investing, qualitatively, I don't need quantitative, but qualitatively, what is the investment line item that we see from here?

Abhay Gandhi: So for each product, I think the strategy will also be different. There is no one thing I can simply say that in this line, the expenses will move up or down. Beginning of each year, we look at each product, what are the opportunities for us to grow. Where do we need to invest? Where can we optimize investment and that's how we work out our budget almost from zero base.

So I cannot give you a straight simple answer that in a particular line, it will move up or down. But it will be definitely a growth-oriented budget is all I can say.

Kunal Dhamesha: Okay. And based on whatever investment we plan, we think that we can continue to grow at the current trajectory level?

Abhay Gandhi: I mean that's what we try to do in every given product and in every given market.

Kunal Dhamesha: And second question on Ilumya. So for a product like Ilumya, do you think that out-of-pocket cost could be a major deciding factor for a patient or a provider to basically take the drug or not?

Abhay Gandhi: The answer is yes for every given product in the U.S. because you have a very large majority of the population being insurance covered. Out of pocket is a consideration, even if you buy a simple antibiotic or whatever product you can think of. There's always a concern.

Kunal Dhamesha: But given Ilumya is basically a very specialized product, it requires prior authorization, step therapy and all those things. So not every option will be available to patients when he reaches -- as he reaches for Ilumya. So from that perspective...

Abhay Gandhi: Again as I said, this is not -- I mean don't consider this to be unique to Ilumya. It is specialized product, I agree. But this is a situation that every product that you launch in the U.S. will have to undergo. And this becomes an important consideration for both the doctors as well as the patients in deciding a treatment option.

Moderator: The next question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets India Private Limited. Please go ahead.

Damayanti Kerai: My first question is on U.S. Generic business, which is excluding Specialty and Taro. So can you elaborate on 2 points, please? Was there a significant contribution from Revlimid during the quarter? That's first. And second, can you comment on supply pickup, which you might have seen from Mohali plant?

Abhay Gandhi: So generic Revlimid sales were very small in this quarter. Similarly, if I see the Mohali impact, supplies are clearly not normal, situation is the same as we saw in quarter 2. We are working to fix those issues, and that will happen gradually over time.

Damayanti Kerai: Regarding Mohali, can you comment what are the key bottlenecks? Because if I understand correctly, there has been clearance by the FDA to recover your supply etcetera, right? So what are the bottlenecks here?

Abhay Gandhi: I think it's deciding which products to come to market in what priority and also making sure that the quality clearances as mandated are done, and that takes its own time. And these are two of the issues that the plant is trying to resolve along with getting back to compliance as a plant in general.

Damayanti Kerai: Okay. My second question is on Taro business. So what are your priorities for the Taro business after signing the definitive merger agreement. So whether you'll focus more on reviving the legacy Derma portfolio or you will focus more on turning around Alchemee franchisee?

Abhay Gandhi: So I don't think the merger has been consummated as yet. So therefore, I think we should not be discussing future strategies for Taro because this process is still on. Mr. Shanghvi explained that we still need the approval of the majority of the minority and of course, certain other steps to be followed, it's only then can we get into this question, it's too soon, premature.

Dilip Shanghvi: The other thing, Abhay, is that we are, in any case, controlling shareholders. So we've been managing the business because we are part of the management. So it will not be any dramatic or significant change in the overall company and its strategy.

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

Neha Manpuria: Abhay on Ilumya. If you look at the IQVIA data, it's seeing very good traction in the last year. Incrementally from here -- what are the incremental pockets of growth? And how should we look at expansion in

Ilumya or continued expansion in Ilumya versus the risk of biosimilar Humira probably eating up some of that prescription, is that a concern at all?

Abhay Gandhi: Let me answer the second part of your question because the first part to speak on strategy is very difficult for me because this call is not only for investors. So I would not like to give a granular strategy and how we find ways to grow from. But Humira -- biosimilar is the evolving space. We are also studying constantly of what is happening.

As of now, we don't see any impact on Ilumya, I don't foresee that. And -- but it's an evolving space and I guess more to come, more to learn. And we'll then have to factor that into our thinking. But as of now, we don't see...

Neha Manpuria: Understood. And for CEQUA, we have seen share come off pretty sharply because I think generic Restasis seem to have picked up share. So do you think CEQUA can continue to grow despite the fact that generic seem to be eating away on the Restasis' share, because we've seen CEQUA share also come off pretty sharply in the recent weeks.

Abhay Gandhi: I mean that's what we wish to do, and we are planning accordingly. Having said that, the space is also getting competitive. There have been new launches by others in the dry eye space with different mechanism of action. So the competition is clearly higher than what it was a year ago in terms of options available to doctors.

Neha Manpuria: So in that light, do you think we could grow the CEQUA franchise from here?

Abhay Gandhi: And as I said, that's what we will definitely be trying to do.

Neha Manpuria: Understood. And my last question, the U.S. Generic business, did we see improvement in that quarter-on-quarter ex Taro U.S. generic business? Would that be a fair assumption?

Abhay Gandhi: Quarter-on-quarter, you can assume it is flattish.

Moderator: The next question is from the line of Harith Ahamed from Avendus Spark.

Harith Ahamed: The $20 million milestone income that you have booked as part of your specialty sales under your geographic breakup of sales this comes under which segment?

C. S. Muralidharan: It comes under the Rest of the World.

Harith Ahamed: Okay. And my second question is on the specialty asset GL0034. I understand you're developing it for diabetes indication. Given the opportunity in the obesity space, will you be developing this for obesity

indication as well? And given that this is such a large opportunity, is there a way to kind of accelerate the timelines of development if you were targeting the obesity indication?

Dilip Shanghvi: So I think it's premature for me to share with you because these are very expensive studies. So once we decide then we will share as to what is the likely cost and what impact it will have on our short-term profitability.

Harith Ahamed: Can you confirm that we are also targeting the obesity indication apart from the diabetes indication for this candidate?

Dilip Shanghvi: So we are evaluating its potential use in multiple indications. But I can't confirm anything that which indication we are developing. So what we have said is that the Phase II study on GL0034 will start in the second half of next year. We haven't said indication.

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

Surya Patra: Sir, my first question is on the Ilumetri getting included in the national reimbursement list of China. Generally, it is believed to be a kind of a big achievement for any molecule within the 6 months of, or a few months of marketing approval, getting listed into the national reimbursement list. So that is considered to be a big development, big achievement and instant access to the 92%, 95% of the population.

So considering that what update that we are having, sir, for this? And is it fair to believe that this could be a kind of, for Ilumya, it could be outside of U.S., it would be a kind of biggest -- China could be the biggest market?

Dilip Shanghvi: No, I think there are multiple business issues to fix before we can respond to your question. Currently, Ilumya or Ilumetri is approved as an imported formulation. And we really don't know how aggressively the prices will be cut in China. So difficult for me to respond. But it's going to be an important market for Ilumya going forward.

Surya Patra: Going forward in FY '25 onwards, because this is effective from the January '24. So the next year would be an important year for us from China side.

Dilip Shanghvi: No, I agree.

Surya Patra: Okay. Okay. And sir, is it a kind of a royalty-based model here in China or it is...

Dilip Shanghvi: No, it's a business transaction where it's structured in such a way that the economics are shared between us and the licensee.

Surya Patra: Okay. Okay. My second question is on the Levulan. In fact, it looks like that from the prescription trends, there is a substantial improvement in the recent months. So -- we know that Levulan is not fully captured by the retail prescriptions. So how should we see and believe that whether the Levulan on practically has seen a kind of multiple growth in the recent period for the entire of the market, the way it has been reflected in the prescription trends or the growth is just some double-digit growth? Or how should we see and understand that trend?

Abhay Gandhi: From a longer time frame period, you should look at it more as a stable product.

Surya Patra: Stable and steady growing or is a stable product that is how we should see that.

Abhay Gandhi: Steady growth but not a very high growth.

Surya Patra: And is it fair to believe this is the biggest product after Ilumya in the specialty basket?

Abhay Gandhi: I mean we don't give those product-wise details.

Surya Patra: Okay. Just last one clarification here, sir. Regards to R&D, obviously, because of the direct relative, so the R&D spend in the current year has obviously seen a kind of meaningful growth in the current financial year. But considering the pipeline progress what we have indicated, so going ahead, how significant progress that we should clearly build for the R&D spend going ahead?

Dilip Shanghvi: So when we share the next year's guidance, we will share the R&D guidance also.

Surya Patra: Okay. Because this year, despite the Concert acquisition and all that, so it is still lower than the given guidance of 7%. So whether the...

Dilip Shanghvi: Last quarter was 6.8%. So hopefully, we will touch the low end of the guidance.

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

Mukherjee Saion: Sir, in the backdrop of the recent Phase III data of late, if you can talk about the opportunity in Europe and other markets where you have the right and your thoughts about this product for the U.S. market, is that something you're considering?

Dilip Shanghvi: So I think the team in Europe is excited about the potential for Nidlegy. And the data clearly is quite impressive. And in a set of patients which are difficult to treat, I think it has good overall success rate. So we are looking forward to getting the product approved and then subsequently launching the product in Europe. Abhay, would you like to respond about Nidlegy for U.S.?

Abhay Gandhi: As you know, sir, we're evaluating. And in due course of time, we'll take the decision whether if something we want to launch in the U.S. as well.

Mukherjee Saion: Sir, just I mean, if it's possible, I mean, are there any products which would kind of compete with that? Or is that something that you think would be one of its kind that would be launched. And any assessment on how big this product can be if you can give us some idea about that?

Dilip Shanghvi: No, the treatment protocols in the U.S. are very different from Europe. And the neoadjuvant treatment with systemic treatment is much more common than in Europe. So we have to wait for the U.S. study to come out so that we will get the relative benefit of the product along with the checkpoint inhibitors.

Moderator: The next question is from the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: I've a question on SEZABY, so do you expect the U.S. FDA anytime this year to allow you market exclusivity under the DESI Act?

Abhay Gandhi: We have made the applications to the FDA and we are awaiting clarity on how they would like to proceed with it. So I don't have visibility on any particular timeline.

Vishal Manchanda: Okay. Okay. And a second question on Winlevi. If you could share what percentage of the prescriptions are still under the patient assistance program?

Abhay Gandhi: We'll not be able to answer that question.

Vishal Manchanda: Okay. And just 1 more. Out of the pending ANDA filings, would you be able to share a number as to how many of these would be depot injectables for peptides?

Dilip Shanghvi: No, we don't give too much information about pipeline.

Moderator: The next follow-up question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Just coming back to Nidlegy, if you could share some effect on the addressable market size in terms of patients, etcetera, in the European market would be good. I think melanoma incidence is around 1 lakh

patients a year, but then I think our product is neoadjuvant setting. So I'm not sure how much that fits into the regime, and how many patients?

Dilip Shanghvi: So I think our overall calculation was less than 10,000 patients. But even at that number, it's an interesting product.

Kunal Dhamesha: And then, let's say, in terms of value, value add of that treatment versus the usual course of treatment, which is generally surgery, how would you put Nidlegy as of now? And would that be a consideration when you go to payers once the approval is in place?

Dilip Shanghvi: I think there is a structured process for getting pricing approved in Europe, which is different in different geographies, but we will have to follow that process in each country.

Kunal Dhamesha: Okay. And that would be directly correlated to the value add or the kind of QALY improvement, etcetera, how that kind of...

Dilip Shanghvi: That's what I'm saying is that different countries have a different way to look at valuation and pricing. So we have to adapt to that and file for appropriate pricing of...

Kunal Dhamesha: Sure, sure. And the next one on Ilumya, it's roughly now around 6 years since the launch. Typically a product like Ilumya, how does the product life cycle behave if you could share some light there?

Dilip Shanghvi: I mean, what is the question?

Kunal Dhamesha: So basically, growth phase, maturity phase on the -- how do you think about that product?

Dilip Shanghvi: I mean, as on today, looking at the overall performance not only us but all IL-23 products are in growth phase.

Moderator: The next question is from the line of Sanjay Kular from ACME Private Limited. Please go ahead.

Sanjay Kular: First of all, compliments to the whole team for giving excellent results. Sir, in the light of good results in Q3 and overall 9 months performance, are you planning to increase guidance for the current year and for the next year? That is 1 question.

Second question is, you are a company sitting on $2 billion of cash and cash equivalents plus we are generating annual cash flow of $1 billion plus. So are we planning to give giving back excess cash to shareholders by way of buybacks or increased dividends?

Dilip Shanghvi: Sure. No, I think if you look at our last quarter performance, we've come in at high single-digit growth. So there's no need for us to, at this point of time, revise the guidance because it's not something where we are consistently significantly higher. So that's one.

Second, I think, is about the dividend. So I think we have a dividend policy of 30% distribution -- 30%, 35% in that range and we wish to continue to follow that as a process. And about the cash with the company, I think the idea is to potentially look for appropriate investment opportunity. And looking at some of the corrections which have taken place, I think we see some interesting opportunity that we should be able to work on.

So there's no plan to return this cash to investors because we think we can continue to generate a double-digit return on our investment. Because if you would have seen over the last few quarters, our return on invested capital has consistently gone up.

Moderator: The next follow-up question is from the line of Mr. Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: I have a question on Ilumya. So I wanted to understand the profile of patients that are being onboarded for treatment on Ilumya. Basically, are these patients who have failed treatment on multiple lines of biologics? Or -- so would majority of these patients?

Abhay Gandhi: If you see any IL-23 and Ilumya also. There is a good mix of treatment-naive patients who get onto the product along with almost an equal proportion of patients who've failed and some other products before they come on to ours.

Vishal Manchanda: Okay. So you mean to say it's broadly similar in treating biologic treatment naive and those who have tried multiple lines of treatment also.

Abhay Gandhi: Yes. Treatment failure, multiple may not be the case, but treatment failure on any other biologic.

Moderator: The next question is from the line of Damayanti Kerai from HSBC Securities and Capital Markets India Private Limited. Please go ahead.

Damayanti Kerai: I have a question. Due to situation in Red Sea, are you expecting any sort of supply chain disruption in coming quarters or so? And what kind of preparations you are undertaking in case situation doesn't normalize in, say, near term?

C. S. Muralidharan: So we are closely monitoring the situation and our primary objective is to ensure continued supplies. And as appropriate, we will use the channel of shipment between air versus sea. And we are closely monitoring the situation.

Damayanti Kerai: Okay. But as of now, are you building in -- like are you stocking up for key markets or you're like still evaluating the situation. You haven't started stock build-up for key markets?

C. S. Muralidharan: Well, we have our inventory norms and we have the overall stock limits what we said within our process, both in the country and in the manufacturing location and transit. So as we are closely monitoring, I think we are under control.

Damayanti Kerai: Okay. My second question is on India business. So this year, I think what we have seen in the market, volumes were a bit muted and then price hike and new launches primarily pulled the growth. So what are your expectations for next year? Like do you think market will see substantial volume recovery and then we could see much better growth than what we have seen in this year?

Kirti Ganorkar: What I can say is we have done well with all the therapies, and we are performing better than the market. So in terms of our growth, as we have said you 11.4% is our growth. But majority of the growth, like 2/3 of our growth is led by both volume as well as new products put together.

In contrast to that, if you look at the IPM. IPM growth, the majority of the growth, almost like 70% to 75% of the growth is coming from pricing. So I think we are moving in the right direction, and we are focusing on generating prescriptions so that we remain in line with market or slightly ahead of market in terms of growth.

Your question on next year is very difficult for us to predict what the market will be next year. But the endeavour for us is always to grow in line with market or better than market, whatever the growth the market will have in coming years.

Moderator: The next follow-up question is from the line of Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Just a question on our hedging policy. Where I'm coming from is basically let's see constant currency growth for emerging markets was 5.4% versus reported growth was around 2.5%. But does that get recaptured somewhere in the hedging gains that we have posted, not just for emerging market, but for other markets as well and how much we are hedging right now?

C. S. Muralidharan: Our current hedging policy is a board mandated hedging policy and we comply with that at this point of time. And we would not like to articulate whatever hedging strategies at this point of time.

Dilip Shanghvi: Yes. But specifically for emerging market for many countries, the cost of hedging itself is so high that from an economic point of view, it doesn't make economic sense. So like Russia, Brazil, these countries, hedging costs are quite high.

So it's difficult to take those kind of decisions where even currency can fluctuate much more. So we do hedge a few currency pairs, which we have some visibility and some clarity on, but it's still a much smaller subset of currency and smaller percentage of overall international business.

Kunal Dhamesha: Sure, sure. And second one on GLP-1 opportunity for India. Are there any incoming opportunities that we can in-license for India market or even for India market, you would be betting for our own internal molecule?

Dilip Shanghvi: Which product will you say...

Kunal Dhamesha: GLP-1 agonist.

Dilip Shanghvi: So what is your question whether we would look at our product to look at licensing some other products?

Kunal Dhamesha: For India market.

Kirti Ganorkar: For India market, as we have said in the last 2 quarters, we have launched 3 products, which was in-licensed from various companies. So our focus is always to look at opportunities like GLP-1, which we can license from the innovator companies. And regarding our own GLP-1, it's still early stage. It is under development and just completed Phase I.

Moderator: We have a follow-up question from the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: A question on GLP-1. Just wanted to understand there being 2 oral synthetic molecules that are being developed in late stage. So does it make sense to develop a peptide GLP-1?

Dilip Shanghvi: There are some 30 GLP-1 injectables under different stages of development. And once a week injection from a patient point of view, depending on the incidence of side effect is not a huge negative, especially because both Ozempic and Mounjaro have become very successful products with millions of patients.

There is increasing acceptance of once a week injectable product. So we believe that with our overall performance that we've seen in healthy subjects for our product, -- it has a compelling therapeutic efficacy, likely to be there when the product comes to market. So we will be developing it.

Vishal Manchanda: Got it, sir. And sir, just one more on Ilumya. If you could share what percentage of the patients would be dropping out of Ilumya in a year because of either lack of efficacy or maybe lack of durability of response.

Abhay Gandhi: I don't have the exact number in my head right now. I can share it with Abhishek later for you with follow up, but it's a very small percentage compared to what we get, but I can share the numbers separately with Abhishek.

Vishal Manchanda: It should be low single-digit percentage ballpark?

Abhay Gandhi: Don't recall. So I don't want to give a wrong answer. I will send it later to Abhishek, you can subsequently check with him.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Dr. Abhishek Sharma for closing comments.

Abhishek Sharma: Thanks, everyone, for joining us at this late hour. If you have any unanswered questions, please do feel free to contact me, get in touch with us. We'll be happy to address all your questions. Thank you.

Moderator: On behalf of Sun Pharmaceutical Industries Limited, that concludes this conference call. Thank you for joining us. You may now