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**Transcript: Sun Pharma-Organon Acquisition Investor Call**

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Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith a copy of the acquisition of Organon business by Sun Pharma investor conference call, which we shall be uploading on our website after sending this letter to you. This is for your information and record.

For **Sun Pharmaceutical Industries Limited**

(Anoop Deshpande)  
**Company Secretary and Compliance Officer**  
ICSI Membership No.: A23983



## **Corporate Participants**

### **Dilip Shanghvi**

Chairman, Sun Pharmaceutical Industries Ltd.

### **Kirti Ganorkar**

Managing Director, Sun Pharmaceutical Industries Ltd.

### **Aalok Shanghvi**

Chief Operating Officer, Sun Pharmaceutical Industries Ltd.

### **Jayashree Satagopan**

Chief Financial Officer, Sun Pharmaceutical Industries Ltd.

### **Dr. Abhishek Sharma**

VP - IR and Strategic Project, Sun Pharmaceutical Industries Ltd.



**Moderator:** Ladies and gentlemen, good day and welcome to Sun Pharmaceutical Industries Limited Investor Meet. 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. Please note that this conference is being recorded.

I now hand the conference over to Dr. Abhishek Sharma, IR and Strategic Project, Sun Pharma. Thank you and over to you, sir.

**Abhishek Sharma:** Thank you. Good morning and a warm welcome to our investor call to discuss Sun Pharma's announcement regarding signing of definitive agreement to acquire Organon & Company. Today for the discussion, we have with us from the management, Mr. Dilip Shanghvi, Executive Chairman; Mr. Kirti Ganorkar, Managing Director; Aalok Shanghvi, Chief Operating Officer; and Jayashree Satagopan, our Chief Financial Officer.

In the first part today, the management will take you through the investor deck, which is already uploaded on our website and uploaded to the exchanges, as well. We will then open the floor for Q&A.

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. I also request you all, to kindly send in the questions that may remain unanswered today.

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

**Dilip Shanghvi:** Good morning all of you and thank you for joining this call at such a short notice. I am both very excited and a little bit anxious because I kind of feel that I'm going back to the announcement of the Ranbaxy acquisition. And when I reflect on what is it that we acquired in Ranbaxy, at that point of time, I think we acquired a business which was let's say, 80% size of Sun Pharma, which was actually losing money for close to 20% of dilution of Sun equity.

When we look at Organon, I think Kirti will take you through details of the company --but we are acquiring more or less the same sized company, more or less same size of profitability for more or less 20%, 22% of the company's value or Sun Pharma's value. So the key difference as we see is the relative high level of growth for Sun and no growth for Organon. So I think that as we see is a huge opportunity for us to find a way to grow that business and to ensure that the value depression of that stock, we are able to correct and ensure that Sun Pharma shareholders generate that value.



The other issue which I think I am always concerned about is debt. We have, as you've seen, been a low debt or zero debt or a cash positive company for a very long time. And we will be taking on a significant amount of debt to close this transaction. And I mean it's a large sum of money because the target is large.

However, if we look at the debt in context of the multiples of combined company EBITDA, then I think it's around 2.3 times, not very large by current standards of debt in other companies. However, we will remain focused on finding a way to paying down the debt as early as possible.

The third important issue is, what it does to our dividend payments? We haven't fully reflected on this. However, our internal cash flow calculations have always considered continuing payment of dividend. However, once we clarify this as a position, we will share the specific outcome with you.

But I look forward to Kirti walking you through the presentation and also look forward to responding to your questions. Thank you once again.

**Kirti Ganorkar:** Good morning, everyone and thank you for joining us. Personally, today is a very pride and exciting moment for me and for all of us at Sun Pharma. As I said, this is a historic day in Sun journey as we announce the acquisition of Organon and accelerating Sun's transformation toward becoming a global pharma company.

Today, I will take you through the presentation and also try and explain the Organon acquisition, why it is strategic in nature and how is our plan to grow both companies together? There are initial slides which talks about Sun, I will go through quickly. All of you know like Sun today our revenues are \$6.2 billion, we are present in 100 countries, and we are number one in India. And most importantly, we have strong balance sheet with \$3.1 billion, as a cash.

Sun's is driven by our core values of Sunology, but what is most important when I look at both the companies together, we are all talking about patients and patient centricity. The idea here is to reach more number of patients and serve them better. What Sun has shown in past history is like the execution rigor. We have large product portfolio, our approach is always HCP centric and we have a track record of value creation through M&As.

This is the chart which shows that the M&A deal and key licensing deal done by Sun in past 30 years, starting with the acquisition of Taro in 2010, then we in-licensed ILUMYA, most important was the acquisition of Ranbaxy in 2015, and today we are talking acquisition of Organon in 2026.



I think what I'm trying to highlight here is the revenue and the EBITDA growth during all this journey of say from 2010 to 2025. Our revenue grew by 14.4% and the EBITDA/CAGR is 13%. And both these numbers shows that we are continuously focusing on the growth of the company.

What's Organon as a company? It's a strong brand equity and a global commercial footprint. They have a leading position in women's health; number two in contraception and number three in fertility. They have large brands which are very well-established brands, 50 brands established brand out of which 15 brands is large in a scale more than \$100 million in sales.

Global commercial footprint is most important highlight, and I will keep talking about it, as I continue to present you about Organon. So they have presence in 140 countries including: US, Europe, China, Canada and Brazil. Six sites across EU and emerging market with a world-class manufacturing complex in terms of manufacturing of the product and the development of some of the complex product.

What is more important is, it's a very stable EBITDA margin of 30% over last five years and they are generating like \$1 billion of free cash flow before financing. Organon has a legacy of more than 100 years of developing complex product. One of the best example is Nexplanon, another is NuvaRing. And we are also thinking how do we use this ability of Organon to develop some new product going forward.

This is a snapshot of the brands of Organon and most of you must be familiar and you have heard this brand name. What's important here is, the innovative medicine is almost 33% of the revenues of Organon and next big chunk comes from established brands like Zetia, Atozet, Arcoxia, Hyzaar, Cozaar. These are well-known names which contributes 55% and what it helps us is also entry into biosimilars and they have today six products in biosimilar, but this portfolio can be grown further.

So when we look at the women's health portfolio, this is a very interesting market. The total global market is \$35 billion with a CAGR of 6% to 10% and still there are several unmet needs in women's health and this is, what we can look forward for in-licensing of the product. So they have a basket of innovative brands, leading position in the US contraception and fertility segment and there is also this portfolio of women's health is very complex to develop and to replicate also.

The second big part of the business is a established brand business. 55% of the Organon revenue comes from established brand. What is most important is they have 15 large brands which contributes more than \$100 million in sales and a brand portfolio of more than 50 brands. And these are all well-known brands. What we can do is



we can accelerate the growth of Organon's portfolio given a large market potential across therapy areas like cardiovascular, respiratory, bone health and dermatology.

Another interesting thing is Sun's entry into a biosimilar segment. So if you look at Organon's revenue growth over last five years, the biosimilar segment has grown more than 13%. It's a very nice growth. From 2021 the portfolio was \$400 million is now grown to close to \$700 million. But the future opportunity is even larger. So as you can see there are more than \$320 billion patented drugs are losing LOE by 2035 which translate into an opportunity of \$70 billion potential biosimilar market going forward. So this presence of biosimilar helps also Sun to become a strong commercialization company going forward.

In my opinion this is a transformative opportunity for Sun and we are unlocking new growth opportunities using this platform. And I will explain you each of these things in more details in coming slides. So the first part is about innovative medicines. So Organon strengthens Sun's presence in innovation space. As all of you know we are focusing on innovation today, Sun Pharma's 20% of the sales comes from innovation, but with the addition of both Organon and Sun, the total revenue would be 27% of a combined business.

We will be number three in women's health position and also, we will strengthen our lead in many advanced markets. I think this innovative portfolio, which is in derma, women's health, ophthalmology and onco-derm also gives an opportunity for us to address unmet needs and also look at some of the licensing opportunity in the innovative part of the business. And when I'm saying this licensing opportunity is basically will help us to grow the business in the most advanced market.

And the established part of the business, that is the established product and established brand will help us to grow in the emerging market. This is about established brand and when I was looking of this slide yesterday, there are large number of brands which talks about from Organon and Sun also has a large brand like Pantocid is our biggest brand. And then we have Levipil, Susten, Serlift and so many other brands.

So both the companies put together, the Organon's established product business and Sun's branded generics become the biggest revenue generator for a combined company. The 51% of the revenue share will come from the established brand. And in India we are very familiar, we have very experienced in scaling up the branded generic business, so that will also helped us to grow the established brand business of Organon going forward.

Now coming to biosimilar which is a new platform for us. We are not present in biosimilar except few products in India, but this is a good commercial platform for us to in-license new biosimilars. So they already have a good



portfolio of biosimilars as an example like Renflexis which is infliximab, Hadlima which is adalimumab, these are two big products in the biosimilar portfolio.

And there is big opportunity as I said earlier almost \$320 billion worth of drugs are going off patent by 2035. So we will also in-license biosimilar products so that the entire business of biosimilar which is today growing by 13% can even grow higher in next two to three years. If I reflect on my total overall presentation. This is a very key and important slide what we are showing is, what I'm talking about is a commercial platform.

So Organon is present in 140 countries, Sun is present in 100 countries, so total our presence will be more than 150 markets. But what is more important is there are 18 markets where our revenues will be more than \$100 million. And some of these markets we are showing you here starting from US, of course India, and more importantly China, Canada, Brazil, Spain, Romania, these are all big markets where the revenues are more than \$100 million.

What it helps us also is we will have strong commercial front-end team of 24,000 people which will be going and promoting product to HCPs. And finally helping patients to do better than what they are doing in their life. So this is an opportunity also where the in-licensing will help us to promote the large number of product through this commercial front-end team.

Now I'm focusing on one of the market which is key and important for us to highlight is China. Today all of you know we have almost negligible presence in China, but China is a huge market. China has become the world's second biggest market with \$150 billion and it's a market growing by 5% to 7%. So for any company to become global and have a meaningful scale need to have presence in China.

So Organon provides us a scale platform for expansion in China and what is important is the current sales of Organon in China is more than \$800 million and they have eight large brands which are also growing in a single-digit. It helps us to take this platform to the next level and potential to grow further. We can do this in two-three ways, one is to accelerate the growth of the existing established product business.

Then we can also launch Sun's innovative business using this platform which right now we are out-licensing to a partner and we can also use China as an opportunity for in-licensing product for the global market. The combined Sun and Organon creates a business which is a significant in global in scales. I think the combined company's revenues will be \$12.4 billion. What's more important the innovative part of the business will from 20% moves to 27%.



Established brand business including the branded generics in India and many other emerging market is almost 50% of our business. And there are 18 large market which I already talked about where we have a scale which are more than \$100 million in terms of revenues. And what is important is we have a talent, we have 24,000 combined commercial teams which can even accelerate this growth further.

Let me just move to next slide, yes. Now just I will explain you about how does the combined company looks in terms of different business categories. You know, about Sun, the Sun the way we present our numbers is for BGx that is branded generic, generics, API and the innovative business. And the in Organon is a biosimilar is a new area, then innovative business and the established brand.

So when we come to look at the combined company put together, the established brand and the branded generics will become more than 51%. So that become the major part of the business. Importantly I as I highlighted and I'm saying again the innovative part of medicine becomes 27%, generic become 15% and biosimilar which is one of the growth areas becomes 6% of our total revenues.

In terms of our footprint across the globe, we will have a major expansion and revenues coming from Europe. In addition to that there are 10 markets which will get added where we are not present today. Two of them are very meaningful, China I already talked to you about China and then second market is South Korea. So the way we can look at these numbers and the way we are talking to you during all the Investor Call is like we present Sun as a US, EM, RoW and India.

And the Organon the way they present number is US, then they have region called LAMERA, then Asia including Japan, China and EU and Canada. Maybe the if you look at the combined company sale then US become the 27% of the sale, emerging market become one of the big market for us with 29% contribution coming from them, India goes down to 17%, but ROW which includes Europe and all other market contribute 28%.

So broadly if you look at the sales is coming across the world and now our presence is not highly dependent only on India and US but it is across the globe and that is what will help us also to grow further and the revenues are not dependent on one country or one geography.

Now the next part of the presentation, I will ask Jayashree to take you through. She will talked about the financial number and also what kind of synergy we can generate when we combined both the companies together.

**Jayashree Satagopan:** Thank you, Kirti and good morning everyone. As we just went through the presentation and looked at the deal rationale, there are several opportunities that present before us which has the potential to create significant future pipeline for growth opportunities.



Kirti mentioned about several of them, which could be in terms of using the expanded reach of the combined business of Organon and Sun. It is also about cross-pollinating the products that we have in various markets and more importantly giving us the ability to in-license new products which will create new growth opportunities.

There are also significant potential synergies that could come out, which we have highlighted could be in the range of about \$350 million which could be materialized in the next two to four years. Added to it is the R&D portfolio where we could look at developing new products and with new technologies.

Obviously the combined entity has a much stronger financial position and as you could see whether it is revenue, the EBITDA or the cash flows, these are going to be pretty healthy. Revenue and the EBITDA moving up by 2x and both the entities together generating free cash flows of close to \$2 billion, \$2.5 billion on an annual basis.

We also see that Sun from a net cash positive position post this acquisition will get into a net debt by EBITDA of 2.3x. However, with the strong focus that we have in terms of continuing to get cash generation, we are confident that we would be able to focus and accelerate the debt repayments.

In terms of the transaction overview, this transaction will get closed at \$14 per share which represents an equity value of \$3.99 billion and an enterprise value of \$11.75 billion. The financing is going to be partly out of our own cash surplus which could be in the range of \$2 billion to \$2.5 billion and the balance would be funded through the committed financing from our banks. Obviously this transaction is subject to approvals from Organon shareholders as well as the customary regulatory approvals and we expect this deal to close in about six to nine month time.

In terms of deal execution and integration planning, we would be submitting the regulatory filings, obtaining the approvals from the shareholders of Organon as well as the relevant regulatory fillings leading to the target closing which we mentioned subject to the regulatory approvals could take about six to nine month time.

On the integration front, our first priority would be to initiate the integration planning which includes setting up of a integration management office. We will start assessing the organizational capabilities of the combined entities to leverage on the expertise of talent across both the companies. Cross-cultural assimilation is extremely important.

We have done this in the past with the Taro and Ranbaxy acquisition and we will evolve a joint ways of working to excel as we go along. While we do all of this, we will keep our eyes to sustain the momentum and deliver in our existing businesses. Both Sun and Organon has strong values, ethics and ways of working. Together as combined business with patient centricity at the core, we will develop and build on our shared culture.



To sum up, this is an interesting journey for Sun accelerating our transformation toward becoming a large global pharma company. Sun would become top 25 global pharma company which gives us the ability to reaching more people touching more lives. We will be number one pharma company in four countries, number three in women's health which is in contraceptive and fertility, will be number seven biosimilars. 18 countries will have a scale of more than 100 million revenue, 27% of our revenue coming from our innovatives medicines business, 51% of the revenue coming from established brands and branded generics.

We will have more than 150 markets with 24,000 commercial front-end. Living with our core pillars, value-driven growth, patient centricity at our core and execution rigor, we believe this will be truly transformational for Sun.

With that, I would hand it over to our Chairman Mr. Dilip Shanghvi for his closing comments.

**Dilip Shanghvi:** Thank you, Jayashree. I think we've shared with you both our rationale for acquiring this business as well as where and how we see the acquisition strengthening Sun in future and creating a opportunity for us to create a truly global innovative pharmaceutical company. But I welcome questions from you so that we can address any of your queries which will help you understand the transaction better. Thank you.

**Moderator:** Thank you very much, sir. We will now begin the question and answer session. Anyone who wishes to ask questions may click on the raise hand icon available on your screen. Before asking the questions to the management, please introduce yourself providing your name and your organization name. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Kunal Dhamesha. Please unmute yourself and proceed with the question.

**Kunal Dhamesha:** Hi, good morning. This is Kunal from Macquarie Capital. Thank you for taking my question. First question is for Dilip sir. If you could throw some light in terms of the cultural fit of the two organization and how it flows into your integration strategy? And the related question on that is how much of the top management bandwidth would be allocated toward the integration of this acquisition? And in your view, is there any impact of that which you could foresee on Sun Pharma's business? That would be the first question?

**Dilip Shanghvi:** No, thank you Kunal. I think both very important questions. My belief is that everybody wants to succeed in life. Many times if they're not successful it's not because they don't want to, it's because they don't know how to. When it's in both Taro as well as in case of Ranbaxy, we saw that large number of people given proper direction, encouragement, resources and the confidence that they can take decision and continue to progress turned around both the companies.



So I don't visualize a situation where this is going to be a very different journey. We will first understand what is it that was needed so that this company can become more successful. Because if you look at their performance, they have large number of products which are \$100 million plus globally. So this is a company which knows how to establish brands and to continue to sell them at a significant premium even when there are multiple generics which are available.

So we will leverage and understand what is their strength rather than imposing what we think is the right way to do things because there are many ways to succeed in life. And our experience both in Ranbaxy as well as in Taro has been that it's a journey where you learn from acquired company and also transfer some of your operating processes.

So, I'm reasonably confident that we should be able to achieve this because if we could achieve transformation in Ranbaxy because I see that what we acquired was a company which was losing money, I think you don't see that separate in our profitability in Sun's consolidated statement. But I know that the businesses which were at one point of time Ranbaxy are not very different in terms of overall profitability compared to the Sun part of the business. What was the second question?

**Kunal Dhamesha:** Management bandwidth.

**Dilip Shanghvi:** So I think like both Kirti and Jayashree explained in the presentation, we will be forming a integration management office which will both manage the integration as well as manage the transition. There will be a certain amount of time that of senior management which will be spent on this.

However, what I'm excited about is the opportunity to be able to also strengthen the existing management capability of Sun because we will have a large number of performing managers coming in from Organon. And also as a combined company, I think our ability to hire future talent will also go up. So, I'm kind of quite excited to what you call transform the company.

**Kunal Dhamesha:** Thank you sir for the detailed answer. The second one is for the Jayashree ma'am and again there are two parts to it. One on the synergies estimate that you have shared of around \$350 million. If you could share more details between the revenue as well as cost driver side of it, I mean in terms of, let's say, on cost side procurement synergies, manufacturing network optimization synergies, some of those details would help.

And the second part of the question would be on the cost of debt. So what is the current weighted average cost of debt that we will be inheriting from Organon and will the current debt would require refinancing? And if yes, then how does the cost of debt move from where it is now? Thank you.



**Jayashree Satagopan:** Thank you Kunal. As far as the synergies are concerned, as I mentioned the \$350 million estimated is purely on the cost front where we think there are multiple opportunities that one could look at. We have opportunities in terms of procurement, there could be opportunities in terms of people working together, there could be opportunities also in terms of certain supply chain front.

So these all are initial estimates, as we go along and we fine-tune these, we would be in a position to share further detail. As far as the debt is concerned, currently the debt profile of Organon, they have a gross debt of about \$8.5 billion and cash of close to \$900 million. The net debt is having an interest charge of about 5.5%.

It is there are certain long-term debts in the nature of bonds and as we get to the closing our intent is to see if we could work with the lenders for swap of some of these and we would also look at financing it through our own bankers. At this point in time, as we go through the credit rating, we believe our credit rating would be substantially higher than that of Organon's and therefore it should give us the ability to have a good cost of financing comparably.

**Kunal Dhamesha:** Sure. Thank you and all the best. I have more question, I'll join back the queue.

**Moderator:** Thank you. We'll take the next question from Damayanti Kerai. Please unmute yourself and proceed with your question.

**Damayanti Kerai:** Hi, good morning all. Thank you for the opportunity. My first question is I want to understand your revenue drivers for innovative portfolio and biosimilars. So you mentioned in-licensing assets will play a key role to support growth for both the segments.

So what kind of roadmap you have in terms of acquiring or in-licensing assets to support growth and in absence of any in-licensing assets what's your comfort on the growth for these two segments? So that's my first question. Thank you.

**Kirti Ganorkar:** No, thank you for your question. I think in my presentation I focused on innovative part of the business which is growing from 20% to 27%. But what is important is how this business will grow in future and as I said there are good amount of licensing opportunities because Organon is number three in women's health including both contraception and fertility.

And if you notice on the slide what we said there are more than 100 assets under development in women's health and there is lot of unmet need at a patient level. So this gives an opportunity for us to in-license product which are close to market or which are into different phases of clinical studies. That is regarding the women's health.



At the same time, they also have a innovative portfolio, so they have product called VTAMA which is promoted to dermatology and they also have product called Emgality which is a migraine product which is also promoted in Europe.

So if you look at the total basket of innovative product between Sun and Organon, this will continue to grow. We may have to do some of the in-licensing. If you don't do in-licensing then you know like the innovative part of Sun is growing, but the same kind of growth is not there on Organon side.

So our effort has always been how do we grow the business to next level from where we are and how do we use the current platform including people and talent to grow the business further. So in-licensing will become a part of our strategy and with in-licensing and some product what we are developing in-house would also help us to sell them through this global platform.

**Damayanti Kerai:** Sure. Thanks for that. And my second question will be on the biosimilars portfolio which has come to you. So in the past we understand you have been always assessing this segment, but not moved in. So now with six biosimilars portfolio coming in and you mentioned it's a good growing segment, what will be your key strategy to really grow this business and what kind of investment do you foresee for the segment? Yes, that's my second question. Thank you.

**Kirti Ganorkar:** Maybe Alok, you want to answer?

**Alok Shanghvi:** Yes, sure. So in terms of the biosimilars business, I think our view is that there will be several opportunities for us to be able to in-license assets pre-LOE so that we are able to leverage the commercial footprint that the combined entity will present.

**Damayanti Kerai:** Okay. If I may add, I think in the past Sun's management indicated the challenges which biosimilars face on the reimbursement part. So what's your view on reimbursement and competition dynamics in the US specifically?

**Alok Shanghvi:** So I think the market continues to evolve. I wouldn't say that the market has sort of settled down. I think there continues to be a change in the, let's say, regulatory environment from a approval perspective and there also continues to be dialogue in terms of one the interchangeability of the products in the commercial environment and how that would play out in the future.

So the market continues to evolve, but now that we would have a commercial footprint, our view is that you know we will continue to leverage that and license more products.



**Damayanti Kerai:** Okay. Thank you. I will get back in the queue for more questions.

**Moderator:** Thank you. The next question is from Neha Manpuria. Please unmute yourself and proceed with your question. Ms. Neha please proceed. As there is no response we will move on to the next question. Surya Patra, please unmute yourself and proceed with your question.

**Surya Patra:** Yes, thank you. Thanks for this opportunity and congratulations for the great transaction, sir. My first question is on the R&D capabilities that we are having from Organon. So what is the nature of R&D that they are currently having because we know that the roots of R&D with Organon comes from Merck. So here whether it is a branded, generic kind of R&D capability or it is the innovative R&D capability and is there any scope for rationalization of the R&D spend there?

**Dilip Shanghvi:** No, I think if I look at Ilumya actually was discovered by Organon. And it went to Schering Plough and then from Schering Plough went to Merck and then finally we licensed it. So we have to go back to the roots. I don't think that capacity exists, but the skill set and capability existed at some point of time.

So we have to look. But what we are sure of is the capability to do development on some of the very long acting product because Nexplanon if you see is a long acting contraceptive which is continuing to work up to now 5 years and they are continuing to do the study so that the life can be further extended.

So this technology can potentially be applied to many other drugs and diseases, which are chronic in nature, at the same time are let's say can be managed with very highly potent drugs. So you don't have to load a large amount of drug into the device. So we see a opportunity to bring some of these kind of products to market in the short term.

**Surya Patra:** Sure, sir. Second question is on the synergy that we have mentioned, whatever \$350 million flowing largely from cost side. On the revenue side are we considering that we can best in the near term maintain the revenues what what Organon is currently generating or any reason that we are not highlighting the scope of any synergy benefit flowing from the revenue side and what is the scope of this cross-selling opportunities that we can have? So if you can talk little bit on that front?

**Kirti Ganorkar:** I think I'm more excited about the sales synergy, yes. And because both the companies and the global platform will give us lot of sales synergy on both the side. As an example like you know Sun develops many complex generics in Europe market, but we don't have a front-end, retail front-end to market those products.



So there is a good sales synergy in terms of selling the Sun's portfolio using Organon as a platform and good examples are like Europe market, some of the emerging market. At the same time Organon also has a very well established product business, innovative business which we can also sell through Sun's network.

So both the side I can look at. This is on the existing product. At the same time Sun is also developing many complex generic product, which can also be sold through this platform. So on sales side there is a good synergy. I think we have not given number because these are all initial days and we would like to do a careful evaluation of what kind of sales synergy we can generate.

But broad idea is to grow the business. As you know the Organon is growing business for 1% to 2%, but with the sales synergies can be grow business to the next level. And as we work closely with Organon when the transaction is closed we will have greater idea about these sales synergies.

**Surya Patra:** Sure, sir. Great. Wish you all the best, sir. Thank you.

**Kirti Ganorkar:** Thank you.

**Abhishek Sharma:** In the interest of time can we just take one question per participant I can see a long queue here.

**Moderator:** Yes, sir. A request to all the participants maybe only limit your questions to one per participant. The next question is from Vivek Agarwal. Please unmute yourself and proceed.

**Vivek Agarwal:** Yes, thanks for the opportunity and congratulations on the transaction. Sir, if we look at established brands, right, so it is more like all the products are genericized and not growing and seeing some kind of a structural decline. And you are talking about that applying Sun Pharma's branded generic playbook to grow sales of these brands further, right. So can you explain that what kind of the growth you are looking in these brands, what was the challenge especially in this business that Organon was facing and how you are going to change this particular business in terms of growth trajectory? Thank you.

**Kirti Ganorkar:** I think good question what you're asking is, yes. So there are two things to this, one is the established product business and as what Dilip bhai said in spite of large number of generics they are able to maintain their market share and they are also able to command a premium price.

As an example if some of the product I look at in China for a brands there are 20, 30 generics, but still they are able to maintain 20%, 30% market share. So that means there is a brand value in each of these markets and there



is a brand equity. Now where do we bring the next level of growth in established product business is to come with the new ideas.

So there are we have good number of ideas based on our previous experience in developing branded generic business is on a line extensions. So some of these products will go through clinical studies, some of these product can be approved based on bioequivalence studies, but some of these line extension would help us to grow this established product to the next level.

And we have some thought about it, but it will take some time for us to develop and commercialize this product. This can be line extension of existing established product and there can be ideas even combining two products together. So when I look at and put these two things together, I'm hopeful that the established product business which is stagnant today and not growing will also turn around and will start showing some single digit growth, yes.

**Vivek Agarwal:** Yes, perfect. Thanks.

**Moderator:** Thank you. The next question is from Vishal Manchanda. Please unmute yourself and proceed with your question.

**Vishal Manchanda:** Hi, good morning and thanks for the opportunity. On Nexplanon, would you kind of want to rate this in terms of the complexity by your experience like would this be the most complex generic and would you expect a generic to come in by 2030 when the patent expires?

**Kirti Ganorkar:** I think what you need to appreciate is now we just announced the deal and Nexplanon is also Organon product. So till the deal close, we will not be able to comment on Nexplanon or Nexplanon generics, yes. Only thing I would say it's a complex product to develop, yes.

**Vishal Manchanda:** But would this be one of the most complex or like comparing it to NuvaRing, would this be much more complex than that?

**Kirti Ganorkar:** It's difficult to say. As you know NuvaRing there are generics and the complexity of each product depends on how you look at the complexity also. So I would not say this is the most complex product, yes.

**Vishal Manchanda:** Thanks. And just one more if I can. Any any guidance in terms of the cumulative milestone payment that you would need to for the in-licensed products like VTAMA and a recently in-licensed contraceptive



product that you would expect over the next three-four years on top of the upfront payment you made for the acquisition?

**Jayashree Satagopan:** So these are all part of the long-term plan, financial plan of Organon. At this point in time, we will not be able to comment, but this has been factored in the valuation.

**Vishal Manchanda:** Thanks.

**Moderator:** Thank you. The next question is from Shyam Srinivasan. Please unmute yourself and proceed, sir.

**Shyam Srinivasan:** Good morning, thank you for taking my question. Just one again on the financials. How should we look at EPS accretion in the first full year of closing of this transaction? Ma'am, I think you talked about interest cost and stuff, so if you could give us some guidance on EPS accretion please?

**Jayashree Satagopan:** So we believe this will be EPS accretive from the beginning.

**Shyam Srinivasan:** You mean in the first 12 months of the closure of the transaction? Sorry if you could clarify.

**Jayashree Satagopan:** Yes, yes.

**Shyam Srinivasan:** Okay. And what are the assumptions we're making? Does it require FTC related divestments? Sorry, in the six to nine months I was not sure whether there is some divestment required. Even there's a footnote in the presentation which talks about our own proposed divestment of some products. So if you could clarify all that? Thank you.

**Kirti Ganorkar:** No, I think what I have not covered through my presentation is there is a negligible overlap between Sun and Organon. It's a very negligible and the few product which we may have to divest, but other than that there is no major divestment required for the for the business going forward. And yes, it is the EPS accretive from day one, yes.

**Abhishek Sharma:** Shyam, the footnote that you are mentioning relates to divestment of an Organon product which they have already done.

**Shyam Srinivasan:** Okay. Fine. Okay. Thank you, thank you Abhishek. All the best.

**Moderator:** Thank you. The next question is from Neha Manpuria. Please unmute yourself and proceed.

**Neha Manpuria:** Yes, hi. Am I audible now?



**Moderator:** Yes, ma'am. Please proceed.

**Neha Manpuria:** Okay, sorry about the last time. Just one quick question. You know in terms to revive growth for Organon, besides in-licensing, do you think there would be more investment required you know, either on the biosimilar commercial side or let's say for VTAMA given how competitive that segment is? Have we come to a number in terms of this would be the incremental investment that would be required to revive growth?

And you know does given the net debt is at 2x to 2.3x, does this then you know, limit the more acquisitions that we could do on the specialty side for Sun Pharma or for the combined entities, you know, for the next two-three years till the time we consolidate Organon?

**Kirti Ganorkar:** As I said, this would require in-licensing of product. And we will also look at in-licensing of product which are closer to market and it means that we will also need to invest in in-licensing of these products as we commercialize them. But your specific question like VTAMA they already have commercialized this product. And it's a dermatology product, so it's complemented with our portfolio in the US.

So like that for in-licensing opportunities, we may have to invest. Now what do we do and when do we do next transaction, I don't think we can comment it right now. But we keep on looking at the opportunities which require our business to grow to the next level. That's what I can say, yes.

**Neha Manpuria:** Thank you so much sir.

**Moderator:** Thank you. The next question is from Shashank Krishnakumar. Please unmute yourself and proceed.

**Shashank Krishnakumar:** This is Shashank from Emkay Global. Thanks for taking my question.

**Moderator:** I am sorry sir. Your audio is not clear sir. We request you to directly speak in your device please.

**Shashank Krishnakumar:** Yes. Is this better?

**Moderator:** Yes, sir. Please continue.

**Shashank Krishnakumar:** Yes. Thanks for taking my question. I just wanted to understand the thought process behind the change in terms of acquisition footprint. I think at least over the last few years what we have seen is the -- idea was...

**Moderator:** I am sorry sir. Your audio is not clear still.



**Shashank Krishnakumar:** Hello.

**Moderator:** Sir you may continue.

**Shashank Krishnakumar:** Yes. Yes. Just wanted to understand the change in terms of this acquisition blueprint. At least over the last few years. What we have been looking at is sub-\$500 million kind of assets with ticket size acquisitions. Of course with this acquisition we'll be adding a company of Sun's similar scale. So wanted to understand what sort of prompted that change in terms of that strategy.

And also related question is I think historically what we have been also pointing to is, some of our larger innovator peers have had that head start in the US commercial channel. So does this acquisition now provide that scale to also sort of break into that channel? Medicare of course is one channel which we have cracked. So does this acquisition also offer a scale to crack that commercial channel? Thanks.

**Dilip Shanghvi:** No, I think we've consistently maintained that we want to strengthen our capability to develop and strengthen our innovative product business. Organon gives us a what you call global reach both whenever we license or buy a company to launch the product in multiple geographies ourselves so that we can capture the full value. So I think the idea is to strengthen our ability to become a partner of choice.

At the same time have enough cash flow and ability to invest in business. So as I said, I think priority is to find a way to repay the debt using the surplus cash flow, but along the way if we get some interesting close-to-market product, we will look at those opportunities. I think we believe that with the strong cash flow with combined company will generate, it will significantly strengthen our ability to become a more important global player. Kirti you can respond to the...

**Alok Shanghvi:** So I mean I think each product will have its own challenges and own opportunities, right. I think so to that extent I don't think we can generalize saying that you know, let's say we've cracked a channel so to say.

**Shashank Krishnakumar:** Yes, sir. Thank you and all the best.

**Moderator:** Thank you. The next question is from Alok Dalal. Please unmute yourself and proceed.

**Alok Dalal:** Yes, good morning and congratulations on the transaction. Just one question, Dilip Bhai, based on your experience with Ranbaxy, what are the key learnings that can be used to integrate Organon?



**Dilip Shanghvi:** No, I think openness to understand the strength of the acquired company because it's human nature to think that because you are acquiring a business you know, more and you know, better. We've seen that there are strengths in all the companies. So get into the acquisition with an open mind, look at the challenges that the business faced, their strengths as well as weakness. And help them overcome their weakness and find a way to leverage their strength. I think everybody given an opportunity to contribute and perform generally does very well.

**Alok Dalal:** And with Organon, will it be the second year in which most of the synergies should start to materialize?

**Jayashree Satagopan:** It will take a period of two to four years to get the full potential of the synergies.

**Alok Dalal:** Sure. Thank you and all the best.

**Jayashree Satagopan:** Thank you.

**Moderator:** The next question is from Kunal Dhamesha. Please unmute yourself and proceed.

**Kunal Dhamesha:** Hi, thank you for the opportunity again. One question for Kirti sir on the cross-selling opportunity that you have highlighted. And what I can see that lot of our specialty products are yet to be launched in large ex-US markets like Europe, China etc., which is where we get the commercial infra.

So in order for us to kind of capitalize fully on this opportunity, would we start the let's say the processes that need to be done, right, the filing in these geographies etc. right now with the expectation that whenever this acquisition closes we'll be able to launch or would we wait for the acquisition to close and then kind of you know, accelerate those final developments?

**Kirti Ganorkar:** No, good I think it's interesting observation what I see. I will use ILUMYA as an example, like you know now ILUMYA we have registered in more than 35 countries and still we are not present globally the way the Organon will have footprint across 140 countries, still an opportunity for ILUMYA to registered in large number of countries.

As an example like we don't have any footprint in South Korea. And South Korea is also one of the interesting market for product like ILUMYA and our innovative business. So we can start the process of registering the product and post close transaction you can commercialize the product using the commercial vehicle what we have we will get through Organon.



So like that each of our innovative portfolio which has not been scaled up to global level, there is a opportunity for us to scale it to those levels. We'll enter 10 new markets where we are not present today and most importantly we will do it through our own field force and through our own company that would also help us going forward.

So, I'm just using ILUMYA as an example, but there will be an opportunity for all products whether it's Leqselvi, Unloxcyt, all our innovative products to be commercialized in large number of countries going forward.

**Kunal Dhamesha:** Sure sir, thank you. And the last one from my side as Dilip Bhai mentioned that there is a good opportunity to bring that technology of long-term acting product into the market in a very short term. My understanding on that was this is a technology probably licensed from Merck. So with Organon do we get a license to use this for other products, is that our understanding?

**Dilip Shanghvi:** No, I think it's a Organon technology. It's a contraceptive developed in-house. So it's not a Merck technology.

**Kunal Dhamesha:** Okay, great. Thank you for that clarification and all the best.

**Dilip Shanghvi:** Thanks.

**Moderator:** Thank you. The next question is from Kunal Lakhan. Please unmute yourself and proceed.

**Kunal Lakhan:** Yes, hi. Thanks for taking my question. So just to understand this on the revenue side, so organic growth of Organon should we expect it to remain in the in the flattish range that we have seen in the past and to grow the business to say mid-to-high single digit, we would be depending essentially on the in-licensing deals? Is that understanding correct?

**Dilip Shanghvi:** No, I think what Kirti said is that the focus is on execution. So if you look at other companies which are in established product business like Abbott or many of the European companies which have products for which the main compound patents have expired, Recordati, and there are many other companies. So I think the idea is to learn from these companies, understand what is it that they do differently and find a way to grow the business.

So I don't think that it's linked to any particular things whether licensing or this, even a better execution can help us in terms of improving the growth. So many things say like sometimes investment in marketing can help us in growing.

**Kunal Lakhan:** Sure, thank you.



**Dilip Shanghvi:** Thank you.

**Moderator:** Thank you. The next question is from Vishal Manchanda. Please unmute yourself and proceed.

**Vishal Manchanda:** Thanks for the follow-up. On established product portfolio in China, has the impact of volume-based pricing already kind of in the numbers and...

**Abhishek Sharma:** Yes, if you would go through Organon disclosures, you would see that majority of their EB portfolio in China has already undergone VBP, so that impact is already factored in.

**Vishal Manchanda:** Got it. Thank you.

**Moderator:** Thank you. The next question is from Alankar Garude. Please unmute yourself and proceed.

**Alankar Garude:** Hi, good morning everyone. Just one question. Dilip Bhai, over the years you would have evaluated several assets from an acquisition standpoint. Now while Organon offers scale as you and Kirti sir mentioned, you will have to work on growth. In that context, what was the single biggest reason that made you bid for Organon and can you elaborate on that reason?

**Dilip Shanghvi:** No, I think if you look at numbers, it's very self-explanatory. Two different companies with similar top line and actually their EBITDA is higher than Sun, one valued at close to \$10 billion, the other in excess of \$40 billion. The key difference is the growth. What I think as a company we've demonstrated is our ability to find a way to grow the business.

So, if we apply the same logic, the kind of value creation that we can do for the combined company available to Sun, say because one of my biggest concern has been that Ranbaxy transaction we did for stock and thereby diluted Sun shareholders by almost 15%. If we had done either a stock-cash deal or only cash deal.

So this time we decided to do a cash deal. There is a certain amount of debt that we're taking, it's within the safety margin of what people consider to be safe and with an intention to repay the debt. So, I think if you look at the numbers part of the story reveals itself.

**Alankar Garude:** Just one follow-up there. If I look at the growth profile and especially the pipeline of Organon seems to be a bit sparse. You mentioned about the licensing opportunities as well as the global commercial footprint. So when you say that the endeavour is to pick a lead, a higher growth in Organon, is it going to be more of a long-term effort or do you see growth picking up in Organon over the next few years?



**Dilip Shanghvi:** I think that is the reason why Kirti has not given details about future growth potential, because we need to do a much more detailed analysis, but I think as a company we invest in long-term value creation, so we're not looking at everything in terms of six month, one year. But longer term I think we see huge opportunity to transform the company.

**Alankar Garude:** Got it sir, that's it from my side thank you and all the best.

**Moderator:** Thank you. The next question is from Divyaxa Agnihotri. Please unmute yourself and proceed.

**Divyaxa Agnihotri:** Hi sir, am I audible?

**Moderator:** Sir, please proceed.

**Divyaxa Agnihotri:** Just one question around any considerations for the tariffs considering that Organon. Has there been any strategy to sort of between Organon and the US tariffs?

**Moderator:** Mr. Agnihotri we couldn't hear you clearly. Can you please repeat your question? Sir please repeat your question.

**Divyaxa Agnihotri:** So my question was just around considerations for the US, yes just around that. Any comments?

**Abhishek Sharma:** You know, if I understood your question correctly, I think you're talking about the implications for, of US tariffs on Organon's portfolio. So I think, Organon management hasn't spoken about that in public, so since it's still a listed company we would defer or direct you to Organon's management to answer that question.

**Divyaxa Agnihotri:** That's all from my end. Thank you.

**Moderator:** Thank you. The next question is from Saion Mukherjee. Please unmute yourself and proceed with your question.

**Saion Mukherjee:** Yes, thanks for taking my question. You know just one question on the, if you can share like what kind of employee strength that Organon has, any indication how it's split between manufacturing, R&D and commercial front-end or geography wise? And I was wondering like this company was spun off not long back and you know they had their own challenges. Do you have any sense of the level of attrition that Organon is facing currently and is that something you need to address to stabilize the business?



**Abhishek Sharma:** So we have disclosed and of course Organon has also disclosed that there are about 10,000 employees out of which 4,000 is in the field force. And these are spread across geographies including commercial field force which is marketing their innovative, biosimilars as well as established products across geographies.

**Saion Mukherjee:** And any comment on attrition?

**Dilip Shanghvi:** Comment, what I think Abhishek has been trying to say is that as a public company, it would not be appropriate for us to share something. However, all the questions that you're asking related to Organon and also cost and future cost I think have been part of our diligence and our valuation exercise.

**Saion Mukherjee:** Thank you.

**Abhishek Sharma:** We'll take the last question.

**Moderator:** Thank you. This will be the last question for today from Vishal Manchanda. Please unmute yourself and proceed with your question.

**Vishal Manchanda:** Just a clarification on amortization. Would that be almost in the same line as it is today? Post transaction?

**Abhishek Sharma:** I think we will be able to address that at closing. Specifics on financials and how numbers would stack up. Right now we have given proforma numbers. But how the numbers would actually see stack up may be, I think we will be better placed to address those at closing.

**Vishal Manchanda:** I asked this so, because your transaction value is almost the same as the balance sheet value of Organon. So logically should we assume our amortization to be the same number as it is today?

**Abhishek Sharma:** Just wait for, I mean for us to be in a better position to address that question at closing.

**Vishal Manchanda:** Thank you.

**Moderator:** Thank you. As that was the last question for today, I would now like to hand the conference over to Dr. Abhishek Sharma for closing comments. Thank you and over to you, sir.

**Abhishek Sharma:** Thank you for participating in our investor meet at such a short notice and for very interesting questions. We enjoyed the interaction. If you have any unaddressed questions, you may reach out to the investor relations team and we will be happy to take your question. Thank you.



**Moderator:** Thank you members of the management. On behalf of Sun Pharmaceutical Industries Limited, thank you for joining us and you may exit the meeting now. Thank you.