

“Cadila Healthcare Limited Results Conference Call”

May 6, 2011

Moderator : Ladies and gentlemen, good afternoon and welcome to the Q4 FY'11 Results Conference Call of Cadila Healthcare Limited. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Dr. Ganesh Nayak, Executive Director, Zydus Cadila. Thank you. And over to you, sir.

Ganesh Nayak : Thank you. Hi, this is Ganesh Nayak. Very good evening to you and welcome to our post results teleconference for FY11. We have with us Mr. Pankaj Patel, Chairman, Managing Director and CEO. We also have Dr. Sharvil Patel, Deputy Managing Director, we have Nitin Parekh who is our CFO and we have Vishal Gor, General Manager, Investor Relations.

Four years ago, after we achieved our 1st milestone of revenues of \$ 400 Mio. in 2006-07, we embarked on the journey towards our next milestone of revenues of \$ 1 bn by 2010-11.

It gives us immense pleasure and sense of achievement and pride in announcing that we have continued the trend of achieving milestone after milestone and ended the year 2010-11 with a high note, crossing the important milestone of revenues of \$ 1 bn.

Year 2010-11 would be remembered as a landmark year, in which we joined the elite Billionaire Club of Indian pharma companies. It's a big leap, which has been achieved through an all-round effort of last four years in terms of strengthening existing businesses, building new capabilities and venturing into new geographies.

With that, let me recap the highlights of the initiatives and achievements for the year 2010-11.

On the India Formulations front,

We became the first company in India to launch indigenously developed and manufactured H1N1 vaccine – VaxiFlu-S. The egg based, inactivated vaccine based on conventional technology has been developed by researchers at our Vaccine Technology Centre (VTC) in Ahmedabad.

We signed an agreement with Bayer Healthcare to form Bayer Zydus Pharma, a joint venture which would market products in India with a focus on women's healthcare, metabolic disorders, diagnostic imaging, cardiovascular diseases, anti-diabetic treatments and oncology.

This win-win collaboration builds upon and significantly enhances the existing relationship of both parties with long term goals. The JV will leverage the strengths of Bayer's optimized product portfolio and Zydus' marketing and distribution capabilities to enhance the launch of new products and sale of existing brands.

We launched over 60 new products including line extensions in the formulations market, of which 24 were first in India. Overall, India formulations business posted sales of Rs. 17,145 Mio, up 18.6 %.

Coming to Global Formulations,

US continued its journey on the growth path and posted another year of strong performance. We posted sales of Rs. 9,655 Mio. in US , up 43.8 % y-y in US, with launch of 11 new products, including four Day-1 launches. We are among the top 3 players in the market for nine out of the top ten products marketed by us in US and have recently been ranked 12th among the top US generic companies based on scripts. (Source : IMS).

In Europe, our business in France continued to progress even in difficult time for the overall market and outpaced the market growth, though the acceleration was lower. We launched over 20 new products and line extensions, including four Day-1 launches. In Spain, we continued to increase market presence through new product launches and are now ranked among the top 20 generic companies. Overall, we posted sales of Rs. 2,755 Mio. in Europe. In Euro terms, the Europe business grew by 13 %

In spite of huge price reductions in Japan during the year, we continued our endeavour to establish our presence in world's second largest pharmaceutical market. With launch of Amlodipine in Japan, we became the first Indian company to get marketing approval and launch a product developed and manufactured from India. We also launched 3 in-licensed products, including Day-1 launches of Glimeperide and Rabeprazole. During the year, our Japan operations posted sales of Rs. 422 Mio., up 33.6 % y-y.

To strengthen our presence and consolidate operations in emerging markets of Brazil, Asia Pacific, Africa and Middle East,

we created a separate business unit through internal restructuring which would help us to have better focus on these rapidly growing markets. Our business in Brazil continued to progress well with healthy growth in both branded and pure generics segments with launch of 4 new products. Business in other emerging markets of Asia Pacific, Africa and Middle East also registered healthy growth, maintaining market leader positions in Sri Lanka, Myanmar, Uganda and Sudan. Overall, we registered sales of Rs. 4,230 Mio. in emerging markets, up 24.1 % y-y.

Among the other businesses, Zydus Wellness Ltd. continued its journey on the growth track and registered sales of Rs. 3,355 Mio., up 25.4 % and net profit of Rs. 595 Mio, up 31.3 %. During the year, Zydus Wellness launched a couple of new variants of existing categories like 'Sugar Free TeaLite', a unique concept which offers the goodness of tea minus the calories, Sugar Free Mint, Sugar Free Natura sweet drops in liquid form, Sugar Free Hervia which is first herbal sweetener made from Stevia and eggless mayonnaise under Nutralite brand. Extending its wellness range, it introduced 'ActiLife' – a nutritional beverage in select markets, marking its foray into nutraceutical space.

API Exports (other than Nycomed JV) grew by 17.9 % during the year in spite of challenges in form of price erosions and Rupee appreciation.

Zydus Nycomed, our JV with Nycomed commissioned the newly expanded API manufacturing facility at Navi Mumbai. Slated to emerge as a hub for global supplies of APIs for Nycomed's branded generic portfolio, the facility will manufacture complex high-end APIs and would be audited by several regulatory authorities.

Zydus Hospira JV commenced manufacturing and supply of products for US market during the year, including Docetaxel which was supplied in Mar-11.

As envisaged earlier, the profit contribution by Zydus Hospira JV has more than offset the reduction in profit contribution of Zydus Nycomed JV. Combined profit contribution from both the JVs has more than doubled during the year.

Zydus Animal Health Ltd., one of India's leading company in animal health space, posted sales of Rs. 1,390 Mio., up 16.7 %, with launch of 10 new products of which one was first in India. It received the Indian Poultry Journalists Association Award 2010 for "The Best Poultry Health Care Products Company" of India.

We signed a strategic licensing deal with Abbott Labs. to license our 24 branded generics in 15 key emerging markets, with an option of additional 40 products to be included over the term of collaboration. This deal aims at leveraging strengths of both Zydus and Abbott and enhancing competitiveness in the emerging markets.

Coming to R&D,

On the NME research front, ZYOG1, our novel orally acting GLP-1 agonist completed Phase I clinical trials during the year.

We received USFDA approval for conducting Phase 1 clinical trials for our IND ZYD1, a novel GLP-1 agonist for treating diabetes.

We filed IND for ZYGK1, a novel Glucokinase activator which received permission from the USFDA for Phase I clinical trials recently.

ZYPH0907, a novel oral PTH agonist for treating osteoporosis, and ZYG19, a novel GPR-119 agonist for treating diabetes have completed IND enabling pre-clinical development.

On the biologics front, we received Indian marketing authorization for biosimilar versions of EPO during the year. We also completed clinical trials of biosimilar versions of Teriparatide and PEG-IFN Alpha -2b.

On the vaccine research front, we commissioned a new, fully equipped, state-of-the-art Vaccine Technology Center near Ahmedabad, which would develop several bacterial, viral and biotech based vaccines.

We filed 24 additional ANDAs with US FDA, including 4 ANDAs for parenteral products and 2 ANDAs for nasal products, taking total to 130 ANDA filings. We also filed 7 US DMFs with US FDA, taking cumulative total to 97 DMFs.

We received 11 more ANDA approvals from the US FDA, taking total to 65 product approvals.

We filed 26 additional new product dossiers for EU market, incl. 17 for Spanish market, taking cumulative number of new product dossier filings to 116. We received 33 new product dossier approvals for EU market and with that, cumulative number of new product dossier approvals have reached 67.

We filed 5 additional dossiers for Brazil market, taking cumulative number of dossier filings for to 64.

Our commitment towards excellence and consistency in delivering high performance year-on-year has been appreciated, and we were declared the 'Emerging Company of the Year' by prestigious 'ET Awards for Corporate Excellence 2010'.

Recently we were ranked 75th amongst the top 100 stocks in India by ET Wealth.

Now let me take you through broad financial numbers.

During the year 2010-11 on consolidated basis:

Total income from operations was up by 25.6 % y-y to Rs. 46.3 bn i.e. over \$ 1 bn from Rs. 36.9 bn last year.

EBIDT was up by 26.9 % y-y to Rs. 10,262 Mio. from Rs. 8,086 Mio. last year. EBIDT margin was up by 0.3 % to 22.2 % from 21.9 % last year.

Operating profit before tax (excl. non-operating incomes, exceptional items and exchange rate fluctuation on forex loans) was up by 38.3 % y-y to Rs. 8,212 Mio. from Rs. 5,939 Mio. last year.

Net profit after tax was up by 40.8 % y-y to Rs. 7,110 Mio. from Rs. 5,051 Mio. last year, and in line, EPS was also up by 40.8 % to Rs. 34.73 from Rs. 24.67 last year. Here, I would like to make a mention that in appreciation of the efforts of the employees and the commitment towards the billion dollar aspirations which we had for this year, the management was pleased to announce a special incentive and bonus to all the employees of the organization, which resulted in a financial outflow to the extent of Rs. 510 million on a gross basis and Rs. 390 million on net of tax basis, which means if you do not take this one-off item into consideration, the profits which we have declared for the year of Rs. 7,110 million would actually be Rs. 7,500 million.

Return on average capital employed increased to 24.5 % vis-à-vis 21.1 % last year, while return on average net worth increased to 37.5 % from 35.9 % last year.

Going forward, we shall continue to achieve newer zeniths year after year and the trend of crossing new milestones will continue. On our journey beyond the billion, we have our eyes now set on the next goalpost of revenues of over \$ 3 bn by 2015. We have already initiated focused efforts towards that direction and will keep you updated on further development from time to time.

Thank you and we will now start the Q&A session. Over to the coordinator for the Q&A.

Moderator : Thank you very much. The first question is from Kartik Mehta from Daiwa Capital. Please go ahead.

Kartik Mehta : Hi, now that we have reached \$1 billion in revenues, are there any revenues from the Bayer JV that you can share in terms of products that we will actually launch in FY12, I mean, how will be the overall tie-up, will there be an NDDS based product or will it be same products that they have?

Ganesh Nayak : At this point in time, Kartik, we will not be in a position to give you more details on that front.

Kartik Mehta : And on the India growth we have seen a fair amount of growth in this quarter as well as for the year. What would be a sustainable growth without assuming anything for the Bayer JV for the next two- three years, because we have a very higher base now, so do you see tapering of branded formulations growth where we are.....?

Ganesh Nayak : As you would be aware, we have done some expansion in our domestic business with some new divisions and also addition of field force to sustain our growth over the next four- five years till the year 2015. And coming specifically to the numbers our growth expectations would be in excess of 15%.

Kartik Mehta : Is this fair to assume without any assumptions for the Bayer JV?

Ganesh Nayak : Yes.

Kartik Mehta : Docetaxel, we have launched in early March this year seems to be a fairly high number. Could you share what would be the run rate?

Ganesh Nayak : At this point in time we are not in a position to forecast anything on that front.

Kartik Mehta : Then, would you have at least about two months inventory because you would know that Sun would be entering the market, can you please share your thought on that?

Pankaj Patel : I think my recommendation is that Hospira is giving guidance as far as this product is concerned and you can follow that because the end marketing is done by Hospira. We would not be able to throw any further details and Hospira has already shared it publicly with everybody. So I suggest that you follow what Hospira has already published as far as this product is concerned.

Kartik Mehta : Apart from this, do we have any product in FY13 from this JV?

Pankaj Patel : Yeah, we do have some more products.

Kartik Mehta : Thank you.

Moderator :Thank you. The next question is from Jaisal Shah from JM Financial. Please go ahead.

Jaisal Shah :Thank you and congratulations to the entire management and the team for achieving \$1 billion target for this year. Just some questions on the financials. If you can just help us understand this raw material to sales has increased quite a bit this quarter. Anything which is driving that?

Pankaj Patel :Yeah, I think Vishal, would you like to take that up?

Vishal Gor : Jaisal, basically, if you would have observed, the last quarter of the year normally remains high on raw material front because of basically business mix. We have less contribution coming in from the domestic compared to exports. So here again there is a question of business mix plus also the contribution from Nycomed has gone down from this quarter. And also in case of some businesses like Wellness, the input costs have gone up, so that is also a partial reason for increase in the overall material cost.

Jaisal Shah : And last question from my side is on next year any guidance in terms of how many ANDAs you are looking to file?

Pankaj Patel : Our target is to file about 15 ANDAs next year.

Jaisal Shah : Okay. Thank you.

Moderator : Thank you. The next question is from Bino Pathiparampil from IIFL. Please go ahead.

Bino Pathiparampil :Hi, congrats on the great success. Just a couple of quick questions on the US market. One, can I get some color on where the incremental 10 million of the quarter compared to the prior quarter is coming from? And two, now that your base is 200 million plus in US, do you think the kind of historic growth rate in excess of 50% is maintainable here going forward?

Pankaj Patel : I did not understand your first question correctly. So would you please repeat the first question?

Bino Pathiparampil : From the 3Q to 4Q, there is almost extra \$10 million of revenues. So, was there any particular product that contributed to that?

Pankaj Patel : Okay, let me just share a few things. I think we saw some very surprising demand in the US market in the beginning of this quarter and we saw some Buyers coming at the last moment asking for the products from us, reason being some issues with supply of some other companies and we saw some additional demand coming up which we were able to en-cash because we had inventory. Regarding your second question, now that the base is around \$200 million, we cannot expect the same percentage of growth going forward but we expect reasonably good growth further going as far as the US market is concerned. As we are not providing any guidance I am not able to give you a specific number but we expect good growth to continue, however, it will not be the same.

Bino Pathiparampil : One more quick question on the side of Hospira, if I roughly assume an API price to the overall market size of the Docetaxel opportunity in the US and though some rough direct back calculation, it looks like almost a full year of API inventory has been accounted for in this quarter if not full year maybe at least in nine, ten months. So is that the correct calculation or do you think it is far from truth?

Pankaj Patel :I do not think it is truth.

Bino Pathiparampil Okay. Thanks. I will join back the queue.

Moderator Thank you. The next question is from Manoj Garg from Edelweiss. Please go ahead.

Manoj Garg Good evening to all of you and congratulations for good set of numbers. Just wanted to understand the supply of Hospira, does it also include gemcitabine supply for the US market or is already Taxotere?

Pankaj Patel It is only Taxotere.

Manoj Garg And do we see further expansion of the scope for the tie-up in terms of number of products going forward?

Pankaj Patel Well, I cannot say specifically. Whenever something happens we can talk about it.

Manoj Garg And just want to understand about Nycomed JV. Now, since I think probably this quarter we have seen the full impact of Pantoprazole. So can we take this as a sustainable run rate going forward?

Pankaj Patel Well, you can reasonably take I think so. It is very fluid at this moment to give you a very clear guidance would be difficult because of the fact that it has just begun.

Manoj Garg And sir, like Q4 of this year it has seen a tremendous growth in the domestic market, particularly, growth of 23%, I think which is the highest among the last couple of quarters. Any one-off or basically just driven this growth sir?

Pankaj Patel I don't think there are any one-off this year but it is a base effect also because our base number of last year was lower. We have not done more than our internal budget.

Manoj Garg And the current field strength in the domestic market it still stand around 4500 or you have increased the number of people during the quarter?

Pankaj Patel Yeah, same.

Manoj Garg That is all from my side and all the best.

Moderator Thank you. The next question is from Nimesh Mehta from MP Advisors. Please go ahead.

Nimesh Mehta Yeah, thank you for taking my question and hearty congratulations for the great set of numbers. I wanted to ask about this product Astelin for the US market. Are you likely to receive the approval before the final patent expiry or in other words, is there any opportunity left there with this product in terms of competition?

Pankaj Patel The opportunity still exists. We have not yet got the approval. And we cannot comment about FDA approval dates because that is very unpredictable at this moment.

Nimesh Mehta But opportunity still exists? Do you believe that?

Pankaj Patel Yeah, the opportunity still exists, yes.

Nimesh Mehta And the second question is related to this oral GLP-1 compound. Can you throw some more details? Because it was quite interesting to see an oral compound.

Ganesh Nayak It is GLP-1 biometric compound which is orally absorbed. We have completed the Phase I studies and we have seen good plasma level of the compound and also some first initial proof of the concept. We are now going to pursue the Phase II study on that, which would give us basically the full proof of concept.

Nimesh Mehta And this Phase I has been completed in India, right?

Pankaj Patel Yes, that has been completed in India.

Nimesh Mehta Are we targeting this product to be launched in India or we also are looking at licensing...?

Pankaj Patel Ultimately, we would be looking at this product for licensing and co-development with some partner.

Nimesh Mehta Is it fair to say that this is kind of some most exciting compound in your portfolio

Pankaj Patel It is one of the very exciting compounds in our portfolio. We have some other compounds also which we believe are equally exciting.

Nimesh Mehta Can you name the other one such that....?

Pankaj Patel We have a thyroid mimetic compound, we believe that is a very exciting compound. It is differentiated from

the currently known compound called eprotirome. We have a better profile than that compound. So we believe that we have a differentiated compound selectively absorbed in the right organ, etc., which would give the right therapeutic window for this class of compound. We also have follow-on compound on GLP-1 which also shows a very interesting preclinical data and also we have the PTH mimetic compound, that is again using our proprietary technologies orally absorbable compound, a small peptide again, but works like a PTH full length and we also see a very good preclinical data as far as PK is concerned and also some initial proof with respect to the improvement in the bone or growth of bone and bone density. We are currently doing a long-term study on this compound. It would clearly improve the efficiency. These are some of the compounds I believe are very interesting from a long-term perspective.

Nimesh Mehta Final question on the domestic market. We have this JV with Bayer and I know you will not be able to share more color, but can we expect this to be a trend for Cadila in terms of growth for the domestic market, meaning trying licensing products from multinational or licensing basically JV like this?

Pankaj Patel I think we as a company have been following a partnership model right from 1995s and we have been creating number of partnerships and we very strongly believe that partnership is a way to grow. And if you analyze our numbers of last ten years, you would realize that partnerships have contributed significantly to our ability to grow and also make additional profits. So going forward also, we will creating more of such win-win alliances. I cannot say specifically for the domestic market that we will create partnership but we are basically willing to consider partnership as a part of the growth model going forward. So with Bayer, we already have an existing relationship and I am happy that we have actually strengthened the relationship by creating not only from a distribution to a joint venture arrangement.

Nimesh Mehta Okay. Thank you very much.

Moderator Thank you. The next question is from Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru Just wanted little more color on the US market. I just wanted to know what kind of products have been driving this growth.

Pankaj Patel I think we have several products now in the US market. So I cannot specifically say that this is happening because of one or two products but I can say most of the products which we have launched, we have got good market share. We have got almost all major customers now buying our products, not all the products but different products and if you see, our business is quite divided and spread over the product range rather than skewed towards one or two products which also actually provides us much more comfort. We continue to see new players entering, but because we have a wide product range now, we do not see any issues, we are able to continue growing. Major challenge I see in the US market is about company's ability to become a sustainable supplier both from quality perspective and also both from regulatory perspective. And I think that is where our lot of efforts and strategies going around. So our emphasis is on basically complying with the good manufacturing practices and also to excel in supply chain.

Girish Bakhru If you are kind of focusing more on the NDDS based products like that you have suggested that you have filed for parenteral products and nasal products? Are we seeing that there will be more kind of launches in those limited competition products going forward?

Pankaj Patel Our base has become big and further to sustain our growth and reach to our next milestone we need products which are much larger in terms of size and have limited competition to have better market share and growth in US. So we are focusing on filing such products and have just entered nasal, injectables some special products where we could have first-to-file opportunity.

Girish Bakhru And on Brazil market, just wanted to know, how is the growth trend looking there both in the generics and the branded segment?

Pankaj Patel Our branded business is growing by over 15% and generic business is growing by over 25% and going forward also we see this kind of trend continuing. Our challenge is speedy regulatory approval because we are not getting as many product approvals as we should though we filed number of products. The moment we have more products approvals, we could actually see acceleration of growth.

Girish Bakhru And on the tax rate I know this quarter had a very low tax rate. Probably, this year was supposed to end somewhere around 15% but it was 12.5%. What is the guidance for the next year?

Ganesh Nayak Less than our MAT rate. Around 15% only.

Girish Bakhru Are there any ForEx component besides the ForEx gain in the other expenses? Does it have any ForEx loss or gain?

Ganesh Nayak No.

Girish Bakhru All right, thank you, I will jump back in queue.

Moderator Thank you. The next question is from Sonal Gupta from UBS. Please go ahead.

Sonal Gupta Hi, congratulations and thanks for taking my question. I understand you are not giving any numbers but in terms of revenue, any number of approvals do you expect number of launches in the US in the next year?

Pankaj Patel Well, I can say that last year we got about 11 approvals and if that is the run rate we should also look at around 10 plus approvals this year. Again, it is very difficult to predict because nobody can say about it but that is what we expect.

Sonal Gupta And just to understand out of 65 approvals how many have been commercialized?

Pankaj Patel 41.

Sonal Gupta And you also said that you are looking to file only 15 ANDAs, it is sort of slow down from the 22 you are filing. So any sort of change in strategy here in terms of the filing?

Pankaj Patel No, we are talking about 15 plus filings in oral dosages. But we are also filing injectables, nasals and other dosages, so aggregate number will exceed 20.

Sonal Gupta I think in the past you mentioned about patches which I think you have a tie-up as well. So any updates there as to when you...

Pankaj Patel We have filed two ANDAs for patches during the last quarter.

Sonal Gupta And any more products you expect there?

Pankaj Patel We are expecting to file one more in the next year.

Sonal Gupta And any other products area that you can highlight where you are looking at in terms of US filings?

Pankaj Patel The other area we are focusing on is basically first-to-file opportunities and some drug delivery based products where there is limited or no competition.

Sonal Gupta And finally, just wanted to understand on the Abbott tie-up. When do you expect this thing to really scale up?

Pankaj Patel Abbott has started filing dossiers in the different markets. So it all depends on their approvals but we expect that in next fiscal the first revenue will start, of course, full ramp-up will take sometime.

Sonal Gupta Right, but any key markets that you are targeting to begin with in this JV?

Pankaj Patel No, we have the 15 markets, we are filing dossiers in all markets.

Sonal Gupta Okay. Thank you so much.

Moderator Thank you. The next question is from Ravi Agrawal from Standard Chartered. Please go ahead.

Ravi Agrawal Good set of numbers. Congratulations. The first question is on the Hospira margins, if I see for the full year, we have done around 58, 59% of margins. Is this kind of a run rate one can look for or is it just because there is some one-off item in Q4?

Pankaj Patel Well, it depends upon the kind of generic competition we see in the US market. So it is very difficult to say because this is basically coming out of one product in the US market and we do not know what is going to happen as more and more players enter the market. You can basically take the guidance which Hospira has provided to their investors.

Ravi Agrawal Sir, the second question is again on the product rollouts in Hospira especially for the US market. Are there any other products which we can expect to be launched in FY12?

Pankaj Patel Well, I cannot say because it is very difficult. It is all contingent to approvals. It is tough for us to really predict this whole complex situation but I think Hospira's guidance has been there on their web site and you can follow that.

Ravi Agrawal The second question is on the gross margins. Your COGS to sales has increased quite sharply. You were mentioning that part of it is because of the mix and part of it is because of the increased cost in the OTC business. Just wondering what is the kind of cost which one expects going forward to carry forward from this scenario given the fact that from Q1 traditionally our business mix should start to improve. Is there some spill over of this COGS which you will see in the next two to three quarters?

Pankaj Patel No, I do not think. We should be seeing a kind of a stable COGS going forward. And I think we should not take fourth quarter as a number but average number of the whole year is what we can expect next year as well.

Ravi Agrawal Actually one housekeeping question. The tax which you have provided for this quarter has been around 10 crores and you have been mentioning that the post-tax salary that bonus which you paid to your staff actually is the figure of around 11-11.5 crores. So do I read this in a way to say that the tax rate outside the staff increase is actually negative for the quarter?

Pankaj Patel I think Vishal can explain to you exactly that.

Vishal Gor Ravi, what you are seeing on the face of the P&L statement is net tax expense for the fourth quarter but the break-up of that is that 10 crores is made up of about 20 crores of current tax and deferred tax and minus 10 crores of refund of prior year's FBT. But as per the ICAI guideline, FBT has to be shown along with the normal tax. Otherwise, the current tax and deferred tax provision is in line with what we guided earlier about 14-15% and for computing this tax component in the special bonus we have considered the full MAT because on a standalone basis that is what we would be paying.

Ravi Agrawal Okay, thanks so much.

Moderator Thank you. The next question is from Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal Thanks. Sir, just one question on the mechanics of Bayer partnership. Essentially it is a 50-50 JV, just had a question that initially when you are starting up this JV, both the sides were contributing equal amount of sales? I know you cannot give the details about the future products but when it started up, because my question arise from at this point that at least the profits should be shared equally but I am not very clear whether Bayer will be contributing same amount of sales what you are contributing to this JV initially when you are starting up.

Pankaj Patel It is not exactly the same but almost the same I can say that. It is more or less the same contribution by both the partners and going forward basically Bayer's pipeline products will come in and also we look at some branded generics opportunity so will launch some branded generic as well in the JV.

Anubhav Aggarwal Would you be comfortable in sharing that what exactly are you contributing to the Bayer JV?

Pankaj Patel It is almost same.

Anubhav Aggarwal But in terms of your contributing what is the sales which is basically going as part of JV, I mean if I can get an idea about that?

Pankaj Patel I told you it is exactly the same and very soon we will share the Bayer figures with you, so you will know exactly. Because this is joint venture generally we do not provide information unless we have partners' approval So usually we avoid talking about joint venture numbers unless we have specific approvals from them.

Anubhav Aggarwal Okay, thanks, sir.

Moderator Thank you. The next question is from Karthik Mehta from Sushil Finance. Please go ahead.

Karthik Mehta What is our billing ratio of the total export amount in terms of dollar and euro? Are we billing everything in dollar?

Ganesh Nayak I can give you the data offline but only the Europe. Except Europe, almost everything would be in dollar.

Karthik Mehta And what sort of hedging strategy we have in place or any cover we have?

Vishal Gor We have a cover of US\$93 million that is for the year 2011-12.

Karthik Mehta And that is at what exchange rate, sir?

Vishal Gor At the rate of Rs. 47.72

Karthik Mehta That is the only cover we have as of now?

Vishal Gor Only cover we have.

Karthik Mehta And can you just tell what was the CapEx number for '11?

Ganesh Nayak It was Rs. 457 crores.

Karthik Mehta And what is likely to be for 2012 and 13?

Ganesh Nayak About Rs. 500 crores.

Karthik Mehta Sir, what should be our doctor coverage ratio in domestic market?

Ganesh Nayak Any particular reason why you want to know that?

Karthik Mehta No, my reason is very clear, sir, the way almost all domestic companies are increasing the field force, it is not yet reflecting in their turnover and in fact margins are getting shrunked quarter-on-quarter. So just wanted to know what has been our doctor coverage?

Ganesh Nayak See, this is a very complex. If I answer this question of yours I will have to qualify and maybe offline you can talk to me. It is not that because you are increasing your field staff, your coverage of doctor will increase. It depends whether you have specialty division or whether you have task force or is it that you are increasing your total number in the multi therapy division. For example, if you have a division of 500, are you making that 700 or are you adding 200 reps for a new division or is it a task force to just concentrate on metros where there will be an overlap of coverage of doctors. But see broadly, back of the envelope kind of a thing, no company in the country covers more than 130-140,000 doctors that is the maximum.

Karthik Mehta My point is like, in the domestic formulation market what sort of sustainable margins do we see in the light of increasing competition?

Ganesh Nayak I think by and large we should manage to maintain the existing ones. Anyway, Pankaj bhai would like to answer this question.

Pankaj Patel I think it all depends on the model one follows. There are models where you 'buy' the sale and the models where you actually 'gain' sale and that is where the difference would be, and I think it is a push and pull kind of a thing. So we are very confident that the model what we have followed for our business and growth, we are not buying sale, we are actually achieving sale through actual demand and that is why we do not see any reasons that our margins would have any challenge from a sustainability point of view. The only challenge on margin would be for industry if government comes forward and reduces prices. But otherwise we do not see any reason why our margins should get affected because we do not follow certain practices which is followed by some other companies and that is why we do not see any challenge.

Karthik Mehta On the domestic front, on the API side, we have been witnessing degrowth since the last two years so any specific reason behind it?

Pankaj Patel Not really. The domestic API, we only sell if there are excess quantity but that is not the area where we want to focus our future growth. We are basically focusing more on exports that is where the margins are better.

Karthik Mehta Sir, of late in Europe, what we have seen in earlier last three, four years and particularly in FY11, the growth has been muted so any reason behind it and probably outlook going ahead?

Pankaj Patel No, I think it all depends on what kind of new products we are launching in a particular year. There were some price reductions last year and also that has some impact. Going forward, Europe part is going to remain challenging. We expect that in France, the growth will be a challenge, while in Spain, we would have very good growth on a lower base.

Karthik Mehta Out of the total export market, the main growth drivers could be US as well as Brazil and emerging markets?

Pankaj Patel Right.

Karthik Mehta Sir, in terms of filing and launches, you say that 130 is the total number of ANDA filing and 65 is the total approvals?

Pankaj Patel Yes.

Karthik Mehta So can you just share the total launches so far made in?

Pankaj Patel We have launched 41 products.

Karthik Mehta Same number if you can share for European market as well as Brazilian market?

Vishal Gor If you want the total number of products which we have launched out of the filing which we have made from India for Europe, then we have made 46 site transfer approvals and have launched almost all of them. Also, we have 48 approvals for new products for French market from India, of which 21 have been launched so far. , For Spain market, we have 19 approvals for new products and we are yet to launch them from India as we have just received some approvals. And for site transfer from Spain to India, we have received 3 approvals, of which we have launched one product. But this is not the total number of launches which we have done in France and Spain, because both of them have their own portfolio also.

Karthik Mehta In Brazil?

Vishal Gor In Brazil, we have 23 approvals and 16 launches.

Karthik Mehta And emerging markets?

Vishal Gor Emerging markets is a very large number. I do not have the number in front of me right now.

Ganesh Nayak Our total filings in Brazil is 64.

Karthik Mehta 23 are approved and 16 are launched?

Ganesh Nayak Correct.

Karthik Mehta Sir, last question on the consumer Wellness side. If you can share the quarterly number of Sugar Free, EverYuth?

Pankaj Patel We are not giving breakup.

Karthik Mehta So this year's number, full year number you...?

Pankaj Patel We are not giving breakup product-wise, we are only giving you a consolidated number of the sales, but we

are not giving individual brand breakup.

Karthik Mehta So within that also, if you can just share where the growth is actually coming and.....

Pankaj Patel All the brands are growing.

Karthik Mehta And how is the response to ActiLite?

Pankaj Patel Good.

Karthik Mehta In which geographies you have launched sir?

Pankaj Patel We have test marketed this in Tamil Nadu and we have got very good response from the market so we plan to launch nationally now.

Karthik Mehta Okay, thanks a lot, sir, wish you good luck.

Pankaj Patel Thank you.

Moderator Thank you. The next question is from Monika Joshi from Avendus Securities. Please go ahead.

Monika Joshi Congratulations on your numbers, just have a question I did not follow what the tax rate is guided for in FY12?

Vishal Gor The tax rate for next year we expect should be below MAT.

Monika Joshi Should we take that as 16, 17%?

Pankaj Patel Around 15%.

Monika Joshi Also on your \$3 billion target and certainly, I wish you achieve that I just wanted to know if you are really looking at any inorganic opportunities to achieve this, one, secondly if you are exploiting opportunities what do you think are the areas that you would want to fill up today in your portfolio both in India and overseas?

Pankaj Patel I think whatever number we are talking about \$3 billion we are not talking about any inorganic play, we are talking about organic growth to achieve the \$3 billion number. However, as a company, we have always looked at strategic acquisitions, acquisitions which would help us either a market access or capability building in a particular market or a particular technology so we will be open to such acquisitions in future also. The only area where we would like to acquire and consolidate going forward will be India, where we will be very willing to look at acquisitions and consolidate our market share further in the Indian market.

Monika Joshi Vishal if you could give us the PAT number for Nycomed for Q4, please?

Vishal Gor Sure, Q4 PAT number for Nycomed was Rs. 11 million.

Monika Joshi Okay, also if you could just throw some light on the depreciation figure for FY11 despite almost of 500 crores of CapEx, how is it that you have a sequential fall?

Vishal Gor See, this is basically because some of the intangible which we have in our Animal Health subsidiary and it's a large number. These intangibles have completed their estimated useful life though we continue using them but we used to depreciate them in 10 years and the 10 year period is now over. So it's a huge number, Rs. 8 crores a year and about Rs. 2 crores a quarter, plus also in the French subsidiary we had some intangibles and last year Q4 we took some one-time write-offs of some of the older assets which is not there this year. So this two put together would be having an impact of about Rs. 10 crores to 12 crores plus there are some other tangible assets where the useful life would have been over. So if you take an apple-to-apple to comparison of the assets which were there last year and the assets which are there in current year, there would be a growth of over 10% in depreciation but because of these two or three factors you see a flat number or a reduction in the depreciation number.

Monika Joshi Understood, and the 500 crores target for FY12, any specific plans or any details that you would like to share on where this will go?

Vishal Gor You are asking about CapEx?

Monika Joshi Yeah, that's right.

Vishal Gor Well, about half of that would be on formulations, vaccines, biological, etc., about 100 crores in APIs and others, about 60 crores or so in R&D. The rest would be on IT and other administration, corporate assets.

Monika Joshi Understood, thank you so much and wish you the best.

Moderator Thank you, the next question is from Hitesh Mahida from Marwadi Shares. Please go ahead

Hitesh Mahida Okay, and as far as Lialda is concerned, I guess we have Para IV status on the drug. So any updates on that?

Pankaj Patel We are currently under the litigation, so currently there is no further update because the case has not moved to hearing stage.

Hitesh Mahida Okay, sir, thanks a lot.

Moderator Thank you. The next question is from Umesh Morker from Major Trends Financial Services. Please go ahead.

Umesh Morker I wanted to know your Q4 net profit has decreased on quarter-on-quarter and as well as on a year-on-year basis. So is this a cause of concern and what are you expecting in future?

Pankaj Patel I do not think there is any cause of concern if you see historically our Q4 numbers are not exactly the same as the first three quarters. Number two is we have just mentioned before a while that there is a one-time charge of Rs. 51 crores in this Q4 number which was a incentive given as part of the achieving a billion dollar target.

Umesh Morker On domestic formulation front, the company has shown good growth. So do you expect the same growth or not same but a good growth in future as well?

Pankaj Patel Yes.

Umesh Morker Okay, thank you for taking my question.

Moderator Thank you. The next question is from Surya Patra from Systematix Shares. Please go ahead.

Surya Patra Yeah, congrats on a good set of numbers. Just one query. Any marked progress on the vaccine or biosimilar front?

Pankaj Patel On the biosimilar front, we are waiting for approval for the production facility and we would expect number of biosimilar being launched this year post the approval.

Surya Patra In India?

Pankaj Patel Yeah.

Surya Patra On the vaccine front, sir, apart from that?

Pankaj Patel Vaccine front, we are still under various stages of development. So we would see the real approvals and things happening only in the next financial year.

Surya Patra Okay, and going forward what would really drive the growth which would make Cadila to achieve the \$3 billion, what would be that real growth driver for Cadila sir?

Pankaj Patel Well, I think, India will continue growing and contribute a significant part of the growth which is expected.

We would also expect growth coming from US, which will happen mainly, one is on our existing business which is oral solid where we have been basically filing more value-added products plus we are entering into new franchises like nasals, transdermals, and injectable area. We expect growth coming from Brazil and South Africa and the emerging markets. We also expect contribution coming from our joint ventures and subsidiaries in Animal Health and all of that put together would take us to this number. So new franchises, new product line and basically leveraging the existing market would be the key driver and we will enter maybe one or two additional markets, we already told you before that we are entering now Mexico. Currently, our strategies are in a very advanced stage of finalization so we are not able to say further more as far as this is concerned.

Surya Patra Since you have taken your R&D pipeline to some developed level and you would possibly require some good investment there, so what would be your R&D guidance for next year?

Pankaj Patel No, R&D costs will grow but we do not expect significant jump, it will grow in a similar way as it has grown in past, we expect R&D cost will be around 5 to 6% of sale and that is the kind of ratio we will maintain.

Surya Patra On the Nycomed JV front whether you have added any other product?

Pankaj Patel We started manufacturing the API and they have been filed now. We will have approval very soon, so the real business will start in this financial year for the API.

Surya Patra Okay, thanks for taking my question.

Moderator Thank you. The next question is from Arvind Bothra from Bank of America. Please go ahead.

Arvind Bothra Can we know what is the gross debt position in the books, right now?

Vishal Gor Yeah, sure, the gross debt on a consolidated basis was Rs. 1097 crore.

Arvind Bothra Okay, and the cash position?

Vishal Gor The cash in the balance sheet was Rs. 295 crores.

Arvind Bothra Okay, given we are at a comfortable leverage right now, any plans of raising any debt to fund maybe possible acquisitions or any such inorganic ambitions for the company given we have a very good amount of ground to cover to reach our target?

Pankaj Patel I think we are ambitious. So if there is good opportunity we will look at options how to finance it. So currently we have no plan to borrow further.

Arvind Bothra Finally, we saw on the Wellness side, quite a bit of cost pressures, just to highlight, is it something that is sustainable or the hang on the gross margins over there is a problem?

Pankaj Patel No, I think we saw in one of the key inputs in Nutrilite that prices have almost doubled and as a result we saw the situation where we have a margin pressure. Coupled with that, they also have given one-time bonus to their staff which has impacted the bottom-line. Going forward we expect that the pressure on input prices should ease out, though we cannot predict because this commodity price prediction is a most difficult part of it. So we are trying to attack these two ways, one is that we are looking at some possibility of price increase of the finished product, also we are looking at mix between consumer products and the institutional products as far as this product is concerned and these three strategy we are trying to improve our margins.

Arvind Bothra Okay, thank you so much.

Moderator Thank you, ladies and gentlemen due to time constraints, we will take one last question from Chirag Talati from Espirito Santo. Please go ahead.

Chirag Talati Yeah, hi, congrats on a great set of numbers. Just one question on the mechanics of Hospira. JV. Hospira have indicated that there is a cap on the amount of distribution margin that they can earn for the JV products. I just wanted to understand if there is a cap and floor mechanism in terms of margins for the JV, in other words, if pricing were to crash

for Docataxel, would the JV's margins be protected below a certain level?

Pankaj Patel Yes.

Chirag Talati Okay, thank you.

Moderator Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor over to Dr. Ganesh Nayak for closing comments.

Ganesh Nayak So thank you very much, it was a pleasure. We had a good year and we look forward to another eventful year, FY12. Thank you very much and a very good evening/

Moderator Thank you. On behalf of Cadila Healthcare Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.