

## **Investors/Earnings Conference Call (October 22, 2008)**

**Moderator:** Good afternoon Ladies and Gentlemen. Thank you for standing by. This is Subbalakshmi the conference moderator for your call today. We welcome you to the results conference call of Cadila Healthcare Limited. We have with us today Mr. Pankaj Patel, Chairman and Managing Director from Cadila Healthcare Ltd. At this moment all participants are in the listen-only mode. Later we will conduct a question and answer session. At that time if you have a question please press \* and 1. I would now like to turn the conference over to Mr. Pankaj Patel. Over to you sir.

### **Mr. Pankaj Patel:**

Good after-noon and welcome to our post-result tele-conference for the second quarter of 2008-09.

First of all, let me take you through broad financial numbers.

### **During the quarter, on a consolidated basis,**

- Total operating income went up by 22% y-y to Rs. 7410 Mio. from Rs. 6097 Mio. last year, driven mainly by
  - 13% growth in domestic formulations business,
  - 28% growth in US and 27% growth in French business,
  - 101% growth in exports to emerging markets with inclusion of Simayla, SA
  - 31% growth in consumer business, and
  - 58% growth in API (ex. Nycomed JV)
- PBIDT up by 16% y-y to Rs. 1524 Mio. from Rs. 1317 Mio.
- PBIDT margin (% to operating income) down by 1% to 20.6% against 21.6% last year, mainly on account of marked-to-market loss on exports receivables coverage and other trade ERF aggregating to Rs. 272 Mio.
- Operating profit before tax (excl. exceptional items and exchange rate change on forex loans) up by 23% y-y to Rs. 1166 Mio. from Rs. 945 Mio. last year.
- Net profit from operations (excl. exceptional items and exchange rate change on forex loans) up by 33% y-y to Rs. 1080 Mio. from Rs. 815 Mio.
- Adverse fluctuation on conversion of Forex debt (loss of Rs. 113 Mio. vs. gain of Rs. 10 Mio. last year) restricted PAT growth to 19%, which was up to Rs. 949 Mio. from Rs. 801 Mio. last year.
- In line, EPS was up 19% y-y to Rs. 7.55 from Rs. 6.38 last year.

### **During the quarter**

- Domestic formulations business posted healthy growth of 13% with launch of 24 new products, incl. line extensions, of which 8 were FIRST IN INDIA.
- US business registered another quarter of strong performance and posted sales of Rs. 798 Mio., up 28% y-y and bottomline (before developmental expenses after minority interest) of Rs. 166 Mio., up 56%.
- French business has also continued robust performance, with sales of Rs. 464 Mio., up 27% y-y.
- Received 2 more ANDA approvals from the US FDA, taking total to 40 product approvals.
- Received 6 more new product approvals for French market, taking cumulative to 21 approvals.

- Exports to emerging markets grew by healthy 101% and posted sales of Rs. 481 Mio.
- Recently acquired Simayla Pharma, South Africa posted sales of Rs. 112 Mio.
- Brazil business (branded + generics) registered sales of Rs. 402 Mio., up 23% on like-to-like basis.
- ANVISA Brazil inspection of Moraiya facility completed successfully without any adverse comment or even minor observation.
- Consumer business continued robust performance with healthy growth of 31%, with existing Consumer business (Sugar Free + Everyuth) posting 33% growth and Nutralite registering 28% growth over previous year.
- API business (other than Nycomed JV) also registered strong 58% growth, with exports posting growth of 74%.
- We entered into an agreement with WHO to develop next-generation biologicals to fight rabies.

Thank you and we will now start the Q&A session. You may address questions on domestic market, non-regulated markets and regulated markets to me and on results and finance to Mr. M K Patel.

Over to the co-ordinator for the Q&A.

**Ms. Neha:** Good evening sir. I have a few questions on your consumer division. If you could please give me the sales and PAT breakup across Sugar Free, EverYuth, and Neutralite for the quarter?

**Mr. Pankaj Patel:** I would request Vishal to send these details to you through a mail.

**Ms. Neha:** Alright. Sir, another question was that you are basically hiving off the Sugar Free and EverYuth brands into *Carnation Nutra*. So, how do you see that entity progressing and what is your long-term vision for that company?

**Mr. Pankaj Patel:** We would make a special announcement once the Carnation completes the acquisition of Consumer business of Cadila and we would come back to you once the scheme is approved by the High Court, which we expect to happen very soon.

**Ms. Neha:** Alright. Sir, just one last question. If you could give me the information on the market size that you target for Sugar Free and EverYuth as well as the Neutralite and what is the scalability of these products?

**Mr. Pankaj Patel:** Again I suggest that I will answer all those questions after the High Court approves our scheme. We will have a separate call arranged wherein we will talk about this and also we will give you at that time complete vision and our future plans for this business.

**Ms. Neha:** Alright.

**Mr. Pankaj Patel:** We are waiting for the High Court approval and once that happens, we will talk about it.

**Ms. Neha:** Sir that is expected when?

**Mr. Pankaj Patel:** We expect in next few weeks.

**Ms. Neha:** Alright. Okay. Thank you sir.

**Moderator:** Thank you Ms. Neha. We have the next question coming from Mr. Punit from M P Advisors.

**Mr. Punit:** Hello?

**Mr. Pankaj Patel:** Hello.

**Mr. Punit:** Congratulations for good set of numbers. I would like to know about the domestic formulations business. Like in last quarter, your domestic formulations grew by 5% and this quarter it is around 12.9%. So, like your guidance is around 15% for the full year, so will it be achievable or not?

**Mr. Pankaj Patel:** It will be definitely achievable. Next quarter you will see even more growth. This quarter, the growth is about 13%. Next quarter we expect the growth to be higher than this and for the whole year we will achieve the number.

**Mr. Punit:** My next question is on what are your CAPEX plans for this year?

**Mr. Pankaj Patel:** About Rs.150 Crore

**Mr. Punit:** Okay. And what is the cash balance you and what is the debt?

**Mr. M. K. Patel:** Debt is about Rs. 1100 Crores, to be very precise Rs. 1077 Crores.

**Mr. Punit:** Okay.

**Mr. M. K. Patel:** Cash is Rs. 330 Crores on a consolidated basis.

**Mr. Punit:** How much, Rs. 330 Crores?

**Mr. M. K. Patel:** Yeah. So net debt was Rs. 745 Crores.

**Mr. Punit:** Okay. And what is sales from Altana Joint Venture?

**Mr. Pankaj Patel:** Sales from Altana Joint Venture, this quarter was Rs. 320 million.

**Mr. Punit:** Okay. Thank you.

**Moderator:** Thank you Mr. Punit. For any further questions, participants may please press “\*” and “1”. We have the next question coming from Mr. Shah from J M Financial.

**Mr. Jesal Shah:** Yes. Good afternoon. This is Jesal. I just had few questions starting off your formulations business. You have been saying that you have been launching about 40 products every year. This quarter also in your comment you said that you have launched 24 products and 8 products were launched for the first time in India. Despite such a rapid introduction of products and I presume if I recollect right, there was some expansion of sales force in the first quarter, which you highlighted. Is there any reason why the growth rate is still 13% and not higher?

**Pankaj Patel:** Yeah. We did the expansion in the field force in the first quarter. But, growth does not happen overnight, as new person comes in and starts producing results, it takes some time before he establishes himself in the market, knows the markets, customers, and all that. So it gradually builds up. The next quarter you will see clearly, growth will be close to 20% and annual growth what we had projected is definitely going to be achieved. So, we do not have any doubt about our growth. We would be having a very robust growth for the full year for our domestic formulation business.

**Mr. M. K. Patel:** Jesal, also this new products include line extensions, and some brand extensions will eat away some pie of the old brands which also has to be taken into consideration.

**Mr. Jesal Shah:** Are you seeing any slowdown in any of the categories or are all categories going equally?

**Mr. Pankaj Patel:** Yeah. This year the market looks good. In fact, Jesal you should understand, this year's numbers are not comparable to last year for the reason that there was significant reduction in excise duty. As a result actually the prices have come down. So, actually our growth will be approximately 4% higher than what we have reported because there is an impact of reduction in sales prices because of excise duty reduction.

**Mr. Jesal Shah:** Sure. Right.

**Mr. Pankaj Patel:** So, you understand that actually the growth is even higher. In fact generally after the monsoon is over, the market starts tapering down, but we do not see that yet happening.

**Mr. Jesal Shah:** So, you see a lot of buoyancy in the market?

**Mr. Pankaj Patel:** We see there is a good demand in the market.

**Jesal Shah:** And would you like to highlight some products, which have done well of the recent launches?

**Mr. Pankaj Patel:** I think I can mention about Nucoxia which is a product we launched for arthritis segment has been doing very well. We also launched another product in the area of pain management, which is Nucoxia MR which also is clocking very good business. We have entered into a line extension of Pantoprazole, which is also doing very well. We launched a new drug called Cinitapride, which is a prokinetic drug. We have also very good response for this drug. We have several new products being launched for first time in India and we expect very good sales coming out of it. We first time launched Doxophylline and now Doxophylline Once a Day, a drug delivery based product, which also is getting very good response in the market. So, these are few examples I gave you. I do not have the whole list in front of me to give you, but offline if you want I can give you more information.

**Mr. Jesal Shah:** Sure sir. And you have expanded the sales force by 350 people in the first quarter?

**Mr. Pankaj Patel:** Overall, as the company expanded sales force by about 350 people.

**Mr. Jesal Shah:** Okay. Second thing is on the API business. I see there is a remarkable increase on a Y-o-Y basis. What is really driving this growth and what do you think will...

**Mr. Pankaj Patel:** See basically our sales in the regulatory markets are improving. So that is giving us positive impact because of the shortages all over with the prices of Chinese materials going up and also because the oil prices and solvents prices going up, we also could see some price increase in the selling prices of API. So, that combined with our own efforts in both US and Europe with other customers has resulted into good growth.

**Mr. Jesal Shah:** By any particular markets or any particular products which have done good?

**Mr. Pankaj Patel:** I think it is basically both. It is all around, but mostly in US and Europe.

**Mr. Jesal Shah:** Okay. So any new products have you introduced in that segments, which you expect to particularly pick up?

**Mr. Pankaj Patel:** API segment?

**Mr. Jesal Shah:** Yeah.

**Mr. Pankaj Patel:** I cannot mention a specific product at this moment, which we have introduced now, but as you know we have filed number of DMFs – over 60 by now, and these DMFs had now started yielding results into developed markets both in Europe and US and I think that is what is driving overall growth. We also expect that patent opportunity in Clopidogril Besylate and we expect good sales number to come in the next year from that also.

**Mr. Jesal Shah:** Okay. And then moving to contract manufacturing, if you can just give us some idea about what is the progress over there?

**Mr. Pankaj Patel:** For the quarter, contract manufacturing income was Rs. 5.6 Crore.

**Mr. Jesal Shah:** And the profits in Altana were how much for this quarter?

**Mr. M. K. Patel:** Profit for the quarter from Zydus Nycomed JV was Rs. 227 million.

**Mr. Jesal Shah:** And for U.S. you said Rs. 166 million. Is that the right number?

**Mr. Pankaj Patel:** Rs. 166 million is before the product development charge made by Cadila India.

**Mr. Jesal Shah:** Sorry, what is the number I did not understand.

**Mr. Pankaj Patel:** See, the profit was Rs. 166 million.

**Mr. Jesal Shah:** Okay, Rs. 166 million.

**Mr. Pankaj Patel:** That is before the product development cost.

**Mr. Jesal Shah:** Okay. And what about the French subsidiary?

**Mr. Pankaj Patel:** French subsidiary clocked a sale of Rs. 464 million and the profit was Rs. 30 million.

**Mr. Jesal Shah:** Okay. Thank you. I think I will just get back in the queue.

**Moderator:** Thank you Mr. Shah. We have the next question coming from Mr. Kartik Mehta from MF Global.

**Mr. Kartik Mehta:** Hi. If you can share the breakup of the Rs. 745 Crores of net debt in terms of rupee and non-rupee. That is one. And can you have an update on the JV with Hospira. Thanks.

**Mr. Pankaj Patel:** As far as the debt is concerned, Vishal will provide you offline the information. As far as Hospira JV is concerned, we concluded our inspection of the facility last week. We expect the approval formally be in our hand this quarter and we see positively a commercial sales happening by next quarter.

**Mr. Kartik Mehta:** So by Q4, you are saying there will be some sales ?

**Mr. Pankaj Patel:** Yes by Q4, we will have sales coming from Zydus Hospira JV.

**Mr. Kartik Mehta:** Okay. And what should be the tax rate that we should pay for the entire year sir, on a consolidated basis?

**Mr. M. K. Patel:** At consolidated level, tax rate this year should be about 10% to 11%.

**Mr. Kartik Mehta:** Thank you.

**Moderator:** Thank you Mr. Mehta. We have the next question coming from Rohita Sharma from Enam Sec.

**Ms. Rohita Sharma:** Hi. Just couple of questions. If you could give us a breakup of your other expenses and what was the R&D cost for the quarter. And apart from that if you could also repeat the sales that you recorded for the rest of the world?

**Mr. M. K. Patel:** Sure. Other expenses of Rs. 2632 million for the second quarter include manufacturing expenses of Rs. 409 million, Rs. 202 million R&D expenses excluding salary, Rs.717 million of administrative expenses and Rs. 1304 million of marketing and distribution expenses.

**Ms. Rohita Sharma:** Okay fine. And what did you say for R&D?

**Mr. M. K. Patel:** R&D expenses for the quarter was Rs. 202 million excluding salary.

**Ms. Rohita Sharma:** Total R&D expenses would be how much?

**Mr. M. K. Patel:** Rs. 328 million.

**Ms. Rohita Sharma:** 328?

**Mr. M. K. Patel:** Yeah.

**Ms. Rohita Sharma:** Okay thanks. And could you give us the sales for Japan and Brazil for the quarter?

**Mr. M. K. Patel:** Brazil, the total sales branded plus generic was Rs. 402 million and for Japan the sales was Rs. 41 million.

**Ms. Rohita Sharma:** Okay and rest of the world?

**Mr. M. K. Patel:** Rest of the world, the total sales was Rs.369 million. Acquired company Simayla Pharma, South Africa recorded sales of Rs. 112 million. So total formulations sales in rest of the world market including acquisition was Rs. 481

million.

**Ms. Rohita Sharma:** Okay. And another question, what is the reason that your other expenses have actually increased during the quarter?

**Mr. M. K. Patel:** That is mainly because of foreign exchange loss of Rs. 27 crores which have been reported as other expenses.

**Ms. Rohita Sharma:** Okay. And what was the number in the corresponding quarter?

**Mr. M. K. Patel:** Corresponding quarter last year there was a gain of Rs. 5 million.

**MS. Rohita Sharma:** 5 million? Okay fine. Thank you.

**Moderator:** Thank you Ms. Rohita. We have the next question coming from Mr. Krishna from Capital Market.

**Mr. Krishna:** Sir, can you explain the reason why other operating income from operation has decreased?

**Mr. M. K. Patel:** See, last quarter there was a gain on account of foreign exchange fluctuation of around Rs.16 Crore.

**Mr. Krishna:** Okay.

**Mr. M. K. Patel:** And this quarter, there is a loss of around Rs. 27 Crore. So that gain of first quarter has been nullified this quarter and on top of that additional loss of Rs. 12 Crore has been reported under other expenses.

**Mr. Krishna:** Okay. Sir.

**Mr. M. K. Patel:** Excluding that foreign exchange gain, which was reported last quarter, in all other fronts there is a gain.

**Mr. Krishna:** Last year in second quarter it was it was Rs. 12.87 Crores and this quarter it is Rs. 3.08 Crores, right?

**Mr. M. K. Patel:** Yeah. See, I will give you the complete breakup of last year and this year.

**Mr. Krishna:** Yeah.

**MR. M. K. Patel:** Export incentive last year was Rs. 18 million. This year it was Rs.21 million and processing income other than the global contract manufacturing was Rs. 43, it is about the same this year also.

**Mr. Krishna:** Okay.

**Mr. M. K. Patel:** Right. The global contract manufacturing income increased from Rs. 35 million to Rs. 56 million.

**Mr. Krishna:** Okay.

**Mr. M. K. Patel:** Exchange rate fluctuation gain of Rs.156 million reported in first quarter this year has to be nullified this quarter and reported the expense now.

**Mr. Krishna:** Yeah. Sir, like any guidance for this fiscal year?

**Mr. M. K. Patel:** We have no process of giving guidance.

**Mr. Krishna:** Okay. How many products were launched in India in this quarter?

**Mr. M. K. Patel:** This quarter we launched 24 new products in domestic formulations market.

**Mr. Krishna:** 24. Okay. Thank you.

**Moderator:** Thank you Mr. Krishna. We have the next question coming from Mr. Arvind from Merill Lynch.

**Mr. Arvind:** Hi, I just wanted the details of the forex loans in your books. You said you have total loan of close to Rs. 750

Crore, right? Can you break that into forex denominated and Indian rupee denominated?

**Mr. Pankaj Patel:** Should we give you that details offline?

**Mr. Arvind:** Okay.

**Mr. Pankaj Patel:** You can be in touch with Vishal and he will provide you the information.

**Mr. Arvind:** Sure. Can you just provide me with the fully diluted number of shares? I mean post the change or restructuring what would be the tentative number of shares?

**Mr. Pankaj Patel:** Sure, we will provide you that information as well.

**Mr. Arvind:** Okay. Thank you.

**Mr. Pankaj Patel:** Thank you.

**Moderator:** Thank you Mr. Arvind. We have the next question coming from Mr. K C Suri from Span Capital.

**Mr. K C Suri:** Yeah. Could you please repeat the revenue and profit numbers from your Nycomed JV?

**Mr. M. K. Patel:** Revenue was Rs.320 million.

**Mr. K C Suri:** Okay.

**Mr. M. K. Patel:** And the profit after tax was Rs.227 million.

**Mr. K C Suri:** Okay. Thank you.

**Moderator:** Thank you Mr. Suri. We have our next question coming from Mr. Nimish from M P Advisors.

**Mr. Nimish Mehta:** Hi, this is Nimish Mehta from M P Advisors. I just wanted to know what is the outlook of the market for rabies vaccines that you are likely to cater through the WHO? If you can give us some color and when do you see sales coming through?

**Mr. Pankaj Patel:** Well, the first part of getting the rabies vaccines in different world market was basically getting WHO prequalification, which we achieved recently and our vaccines are now WHO approved. This is the only second vaccine in the world, which is approved by WHO. So we expect the WHO, UNESCO, Euro agency requirements coming to us as also some Government orders. It is too premature for me to give you any numbers, but we see lot of interest from number of agencies and we intend to do aggressive follow up. By next quarter, we will have clarity exactly as to what kind of potential we will have for rabies vaccine into International market.

**Mr. Nimish Mehta:** Alright. So, you said you are the second company to have got a WHO and the first one is the innovator itself?

**Mr. Pankaj Patel:** Correct. There are only two companies approved by WHO for rabies vaccine. One of them is us and the other one is Innovator.

**Mr. Nimish Mehta:** And what could be their current sales to WHO as of now?

**Mr. Pankaj Patel:** I have no idea.

**Mr. Nimish Mehta:** Okay, fine. Other two small questions. One is about the MTM loss that you mentioned was about Rs. 27 Crore. Is this for the forward cover that you have taken?

**Mr. Pankaj Patel:** Yeah. That is true.

**Mr. Nimish Mehta:** And at what rate have you hedged your sales?

**Mr. Pankaj Patel:** Around Rs. 41.5.

**Mr. Nimish Mehta:** 41.5. Okay, fine. Thanks a lot.

**Mr. Pankaj Patel:** And we have covered for the current year till December. For next calendar year we have not covered large sum.

**Mr. Nimish Mehta:** You have not covered large sum?

**Mr. Pankaj Patel:** Only this year, we have covered up about 80% of our export proceeds, but next year we have not covered much.

**Mr. Nimish Mehta:** Can we say that you foresee the rate to be attractive in favor of exporters, so that is the reason why you have not covered?

**Mr. Pankaj Patel:** That is the reason we did not cover. Yeah.

**Mr. Nimish Mehta:** Okay fine. Thank you very much,

**Moderator:** Thank you Mr. Nimish. We have the next question coming from Mr. Prashant Nair from Citigroup.

**Mr. Akshay:** Hi. This is Akshay here. Can you just tell me what are the short term loans ? I mean the loans, which are payable within the next one year?

**Mr. Pankaj Patel:** Mr. Akshay, we will give you this number offline. Please get in touch with Vishal who will give you all these information.

**Mr. Akshay:** Okay. Can you also give me the revenue and profit figures for France, US, Brazil, and Japan? I just missed it.

**Mr. Pankaj Patel:** France, the sales was Rs. 464 million, profit was Rs. 30 million.

**Mr. Akshay:** US?

**Mr. Pankaj Patel:** In US, sales was Rs.798 million sale and profit before product development charges was Rs. 166 million.

**Mr. Akshay:** Brazil and Japan?

**Mr. Pankaj Patel:** Brazil, sales was Rs. 402 million and Rs. 4 million was the profit and Japan was Rs. 41 million sales and Rs. 25 million of loss.

**Mr. Akshay:** Okay. Thank you.

**Moderator:** Thank you Mr. Nair. We have our next question coming from Mr. Ronak from Value Quest Research.

**Mr. Ronak:** Hello? How much of exports have you hedged at 41.5?

**Mr. Pankaj Patel:** About 80% of our receivables so it comes to approximately \$ 40 million for this year up to December.

**Mr. Ronak:** 40 million USD at 41.5?

**Mr. Pankaj Patel:** 41.3 to be precise.

**Mr. Ronak:** 41.3. And also your capex for this year is Rs. 150 Crores right?

**Mr. Pankaj Patel:** Yes.

**Mr. Ronak:** How much have you already spent?

**Mr. Pankaj Patel:** So far we have spent approximately Rs. 120 Crores.

**Mr. Ronak:** Rs. 120 Crores. And so, you have launched 24 new products. Can you name some?

**Mr. Pankaj Patel:** We can give you offline the details. I do not have in front of me the whole list, but somebody has asked the question and I gave some names.

**Mr. Ronak:** How is the sales of these products?

**Mr. Pankaj Patel:** They have been doing very well. We can provide you some of these products' sales data.

**Mr. Ronak:** Okay. Offline you will provide?

**Mr. Pankaj Patel:** Vishal will provide you the data.

**Mr. M. K. Patel:** You can send you e-mail to Vishal.

**Mr. Ronak:** Okay. Thank you so much.

**Moderator:** Thank you Mr. Ronak. We have the next question coming from Mr. Rahul Sharma from Karvy Stock Broking.

**Mr. Rahul:** This is Rahul. You have mentioned that we did a forex loss of Rs. 27 Crores for the quarter and it is included in other expenses. How much of this has been included in the other income from operations?

**Mr. Pankaj Patel:** Last quarter, we had reported gain of Rs. 16 Crores.

**Mr. Rahul:** Right.

**Mr. Pankaj Patel:** YTD that is for the six month there is a loss of Rs. 27 Crores. So gain of Rs. 16 Crores reported in first quarter has been offset against this loss and remaining Rs. 12 Crores have been reported as other expenses.

**Mr. Rahul:** Okay. So, Rs. 12 Crores is added to other expenses basically in the quarter. Am I right?

**Mr. Pankaj Patel:** Yeah.

**Mr. Rahul:** Okay. Thank you.

**Moderator:** Thank you Mr. Sharma. We have the next question coming from Mr. Kartik Mehta from M F Global.

**Mr. Kartik Mehta:** Yeah. Hi. Just one thing was if you can provide some outlook on the JV with Altana for Protonix for the first half, which seemed to have done about Rs. 60 Crores as against Rs. 37 Crores which was there in the same period last year? Do you think there is any slowdown expected once we have some more competition from one more player by the end of this quarter that is Q3 FY09 or are we in line with the guidance that FY09 sales of the JV will be the same as FY08. Thank you.

**Mr. Pankaj Patel:** Yeah. I think we have very good demand in all the markets for the product and as a result we are able to supply large quantity of the inputs to our partner and we are confident about what we have given you guidance as far as our JV is concerned. We also see a good visibility for the next year.

**Mr. Kartik Mehta:** So is it fair to assume that FY09 sales will be almost the same as FY08 sales for the JV?

**Mr. Pankaj Patel:** Yeah. It will be same as FY08, may be a little higher and even the next year, we would expect to continue the same way.

**Mr. Kartik Mehta:** And just one thing on the French operations. Is there some additional product launch expenses that we have incurred because the profitability seems to have been a bit lower on Q-on-Q basis also? Like we made about Rs. 68 million profit on our sale of about Rs. 458 million in Q1 FY09, and now it is about Rs. 30 on a sale of about Rs. 464

million. So is there any expenditure we are incurring for some products, which we launched or is this competition related?

**Mr. Pankaj Patel:** See, in the first quarter, we had reported some write back of impairment on intangibles, which is not there in this quarter, so the depreciation charge is normal this quarter. That was one part. Another thing is that in the first quarter, the conversion of Euro into Rupee for the purpose of consolidating the French operations with Cadila.....

**Mr. Kartik Mehta:** Okay.

**Mr. Pankaj Patel:** ...the conversion had resulted into gain because the June rate was higher than March rate. Right? Now the difference between September rate and June rate is not much.

**Mr. Kartik Mehta:** Okay.

**Mr. Pankaj Patel:** So there is no such gain for this quarter. Another thing is that we are expecting higher sales in the next quarter, because as such the October-December quarter is the highest sale quarter for the French operations. So, we have provided for some extra marketing expenses this quarter. These are the three factors basically contributing to lower profit of French operations this quarter compared to first quarter.

**Mr. Kartik Mehta:** Thanks. And if you can also share how many site transfers do we have now?

**Mr. Pankaj Patel:** Cumulatively we have 42 site transfers filed with the French Regulator authority of which 40 are approved.

**Mr. Kartik Mehta:** Thank you so much.

**Moderator:** Thank you Mr. Mehta. To ask any further questions, participants are requested to press “\*” and “1”. For any further questions participants may please press “\*” and “1”. We have the next question coming from Mr. Shah from J M financial.

**Mr. Jesal Shah:** Yeah. Just a quick one. How many ANDA’s have been filed in the quarter?

**Mr. Pankaj Patel:** This quarter we filed 2 ANDA.

**Mr. Jesal Shah:** And on a sequential basis, we have seen that the US sales are almost flat. So what is the outlook on this business?

**Mr. Pankaj Patel:** See, we have couple of new products this quarter and we expect good sales in the future.

**Mr. Jesal Shah:** Fine and next year is there any guidance that you have given on this?

**Mr. Pankaj Patel:** We expect next years’ sale to touch \$ 100 million.

**Mr. Jesal Shah:** Okay. Thank you.

**Moderator:** Thank you Mr. Shah. We have the next question coming from Mr. Nilesh Doshi.

**Mr. Nilesh Doshi:** Can you tell me the breakup of API sales between domestic and exports?

**Mr. Pankaj Patel:** I would request Vishal to provide you the information offline.

**Mr. Nilesh Doshi:** Okay. Coming to API again, can you tell me the growth on Q-o-Q basis.

**Mr. Pankaj Patel:** API business?

**Mr. Nilesh Doshi:** Yes sir.

**Mr. Pankaj Patel:** 58%.

**Mr. Nilesh Doshi:** On Q-o-Q ?

**Mr. Pankaj Patel:** Just a minute.

**Mr. Nilesh Doshi:** Yeah and how about this Quarter 1 to Quarter 2.

**Mr. Pankaj Patel:** Quarter 1 to Quarter 2, the growth is about 15%.

**Mr. Nilesh Doshi:** Okay. So what was in volume terms?

**Mr. Pankaj Patel:** In absolute amount it was Rs. 102 Crores in Quarter 2 while in Quarter 1 it was Rs. 90 Crores.

**Mr. Nilesh Doshi:** Correct. Sir, how much was in terms of volume?

**Mr. Pankaj Patel:** Quantity?

**Mr. Nilesh Doshi:** Yes. Quantity.

**Mr. Pankaj Patel:** We do not have the data right now. We will provide this data offline to you.

**Mr. Nilesh Doshi:** So, what was the inventory in the case of API raw material as of 30th September?

**Mr. Pankaj Patel:** Can I provide this data offline?

**Mr. Nilesh Doshi:** Sure sir. Thank you sir.

**Moderator:** Thank you Mr. Joshi. For any further questions, participants are requested to press “\*” and “1”. To ask a question participants may please press “\*” and “1”. We have the next question coming from Mr. Bhavin Shah from Dolat Capital.

**Mr. Bhavin Shah:** Thanks for taking my questions. Good evening everyone. Sir, my question is on the Hospira Joint Venture, just to take it out from my colleague’s questions. How many products are we planning to start by the fourth quarter, just to get some idea on that?

**Mr. Pankaj Patel:** We expect 3 products to begin in the next quarter.

**Mr. Bhavin Shah:** Okay, approximately 3 products. And the contract manufacturing business apart from the Joint Venture, how many such contracts have been added in. So cumulatively in the first half, what is the figure that we are seeing as of date?

**Mr. Pankaj Patel:** Bhavin, Vishal will provide you those details.

**Mr. Bhavin Shah:** Alright sir. Thank you so much.

**Moderator:** Thank you Mr. Shah. We have the next question coming from Mr. Asish from Mumbai.

**Mr. Asish:** Sir, I just wanted to understand whether as a generics player, do you see any significant obstacles entering into the contract manufacturing business in terms of resistance from the customer since you are also a generics player.

**Mr. Pankaj Patel:** No, we do not see that problem. But even the Innovators are becoming generic players now.

**Mr. Asish:** Okay. Once upon a time the pure contract manufacturing companies used to claim this as a advantage saying that Pfizer or Merck would hesitate to work with the generics company from India because of the patent issues and because you are battling them in courts all over the place.

**Mr. Pankaj Patel:** We read this now everyday that all the innovator companies want to enter the generic space.

**Mr. Asish:** Okay. Alright. Thank you very much.

**Moderator:** Thank you Mr. Asish. For any further questions, participants are requested to press “\*” and “1”. We have the

next question coming from Jimi Jain from Crisil.

**Mr. Jimi Jain:** Sir, I wanted to ask you after the recent restructuring exercise, what are the estimated outstanding shares that would be there in Cadila Healthcare on a consolidated basis?

**Mr. Pankaj Patel:** The restructuring has not yet completed and is subject to High Court approval, but we can give provide the numbers offline.

**Mr. Jimi Jain:** Okay. Thank you so much.

**Mr. Pankaj Patel:** Are you from Crisil?

**Mr. Jimi Jain:** Yeah.

**Mr. Pankaj Patel:** Okay.

**Moderator:** Thank you Ms. Jain. For any further questions, participants may please press “\*” and “1”. As there are no more questions, I would now like to hand over the conference over to Mr. Patel.

**Mr. Pankaj Patel:** Thank you for joining for the conference. I wish you all Happy Diwali and see you next time.

**Moderator:** Ladies and Gentlemen, this concludes your conference for today. We thank you for your participation for using Tata Indicom conferencing services. You may please reset your lines now. Thank you and have a great day.