

Post Results Conference Call (January 25, 2010)

Moderator: Good evening ladies and gentlemen. Thank you for standing-by. This is Manoj, the moderator for your conference call today. Welcome you to the conference call of Cadila Healthcare Limited. We have with us today Mr. Pankaj Patel, Chairman and Managing Director from Cadila Healthcare Limited. At this moment all participants are in 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. Please go ahead sir.

Pankaj Patel: Good evening and welcome to our post-result tele-conference for the third quarter of the year 2009-10.

It has been a very good quarter with excellent performance from all the businesses. So before I take you through the highlights of the quarter, let me take you through the highlights of the operations for the quarter.

During the quarter,

- India formulations business was back on track with healthy growth of 17 %.
- We launched 24 new products, incl. line extensions in the domestic market, of which 10 were FIRST IN INDIA.
- Consumer wellness continued its growth journey with 42 % growth, which comes on the heels of robust performance by all the three pillar brands.
- US business posted another quarter of strong performance with sales of Rs. 1779 Mio., up 67 % y-o-y.

Sales in US crossed \$ 100 Mio. mark. (for Apr-Dec 09)

- With launch of Clopidogrel in France, European business posted a robust growth of 32 % y-o-y.
- Formulations business in Brazil also posted healthy growth of 20 %.
- API Exports (other than Nycomed) continued to grow on the back of Clopidogrel Besylate sales to key EU customers, and posted growth of 33 %.
- We acquired remaining 30% stake in Simayla Pharmaceuticals (Pty) Ltd., South Africa (through our 100% subsidiary Zydus Healthcare SA (Pty) Ltd.) from the co-promoters.
- USFDA inspection of the oncological injectible facility of Zydus Hospira, our JV with Hospira Inc., has been successfully completed.
- We filed 4 more ANDAs and 3 additional US DMFs, taking the cumulative total to 99 ANDA filings and 85 US DMFs.
- We filed 18 new product dossiers for EU market (14 for Spanish and 4 for French market), taking cumulative new product filings to 78.

Now let me take you through broad financial highlights.

During the quarter, on a consolidated basis,

- Total Income from Operations up by 32 % y-y to Rs. 9910 Mio. from Rs. 7491 Mio. last year driven mainly by
 - 17 % growth in India formulations business
 - 67 % growth in US business,
 - 32 % growth in Europe business
 - 42 % growth in consumer business, and
 - 33 % growth in API exports (other than Nycomed JV)
- EBIDT up by 47 % y-y to Rs. 2100 Mio. from Rs. 1425 Mio.

- EBIDT margin (% to operating income) up by 2.2 % from 19 % to 21.2%.
- Operating profit before tax (excl. non-operating incomes, exceptional items and exchange rate loss on forex loans) up by 77 % y-y to Rs. 1549 Mio. from Rs. 875 Mio. last year.
- Net profit up by 114 % to Rs. 1297 Mio. from Rs. 605 Mio. last year.
- In line, EPS grew by 114 % to Rs. 9.50 per share from Rs. 4.43 last year.

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

Moderator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press * and 1 on your push button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the # key. We have a first question from Mr. Sushant Dalmia from Angel Sec. Please go ahead sir.

Sushant Dalmia: Sir congratulations on a good set of numbers. Sir the European region has grown by around 31% year-on-year and 96% quarter-on-quarter. So what would be the major reason for that?

Pankaj Patel: We launched Clopidogrel in the European market which is one of the major products going off patent during the quarter and that actually helped us to grow the business.

Sushant Dalmia: And sir excluding that product what would be the growth in the Europe region?

Pankaj Patel: I am sorry I do not have the information excluding that product.

Sushant Dalmia: Okay sir. And sir secondly your Hospira revenue has de-grown slightly quarter-on-quarter, any specific reason?

Vishal Gor: See there you should not be looking at the quarter-on-quarter numbers because it fluctuates depending upon the requirement of Hospira and this being the last quarter of Hospira we were also expecting that the demand would be less than the other two quarters. But of course in the 4th Quarter again it would come to normalcy.

Sushant Dalmia: Okay sir. That's it from my side.

Moderator: Thank you for your question Mr. Sushant. We have our next question from Mr. Alok Dalal from M F Global. Please go ahead sir.

Alok Dalal: Hi, thanks and congratulations on a good set of numbers. Just wanted to check about royalty income which is part of other operating income, can you tell me what is this related to?

Pankaj Patel: In the U.S., on one product we received some royalties and that's the sum which is reflected here.

Alok Dalal: Okay and this will be sustainable going forward?

Pankaj Patel: Yeah this will be sustainable going forward.

Alok Dalal: Okay. Secondly have you booked any FOREX gain loss in other expenditure?

Vishal Gor: Yes.

Alok Dalal: How much would that be?

Vishal Gor: See in the other expenditure, the operational exchange rate fluctuation, that is the exchange rate fluctuation on trade receivables and payables including the derivatives was Rs. 128 million in Quarter 3.

Alok Dalal: That is the gain?

Vishal Gor: No loss.

Alok Dalal: Okay and corresponding quarter in FY09?

Vishal Gor: It was Rs. 79 million.

Alok Dalal: Again loss?

Vishal Gor: Yes.

Alok Dalal: And lastly Pankaj Bhai can you just walk us through your vaccine portfolio and how do you see that business over the next three years?

Pankaj Patel: We are developing a series of vaccines and among that we already have two vaccines on the market which is the anti-rabies vaccine and anti-typhoid vaccine. We have a new generation rabies vaccine which is currently in the Phase III clinical studies. As you know that we have began the study for our H1N1 flu vaccine, Phase I study will be completed by middle of next month and then we will immediately start the Phase II and III studies. We plan to launch this vaccine somewhere in the month of April. The other vaccines are at various stages of development including combo-vaccines and other anti-infective disease vaccine. I cannot give you specific names at this moment, however, at an appropriate time we will be coming out with a whole game plan as far as our vaccine portfolio is concerned.

Alok Dalal: Okay. Sir any indication as to how big this business could be over the next three years?

Pankaj Patel: I am sorry I do not have the number which I can give you at this moment off hand.

Alok Dalal: Okay. Thank you so much.

Moderator: Thank you for your question Mr. Alok. We have our next question from Mr. Amit from Enam Asset Management. Please go ahead sir.

Amit: Hi thanks for taking my question. It relates to our domestic formulations business which has grown by 17% for this quarter and nine month growth has been 13%. So I would like to know whether this will be the growth rate going forward or would there be any change in this.

Pankaj Patel: I think all issues which we had with respect to domestic business growth driven by NPA price reduction and discontinuation of some products, they are all now over and we believe that going forward this is going to be the kind of growth we are going to see as far as our domestic business is concerned.

Amit: And I would like to know the number of medical representatives working with Zydus Cadilla on payroll as well as on contract?

Pankaj Patel: About 3,500 all on payroll.

Amit: Okay. And would like to know the strategy for hedging and current outstanding hedges?

Vishal Gor: The outstanding hedges as on 31st December, this I am talking about the receivables part, about \$ 19 million worth of receivables have been booked forward.

Amit: At what rate?

Vishal Gor: At an average rate of about 43.13. And as far as the foreign currency debt goes, we have certain loans which are back-to-back that means taken in foreign currency and given to the subsidiaries in the same currency. So if we include that then out of the consolidated debt of about Rs. 1163 crores on December 2009, 50% of those loans are denominated in foreign currencies and of which about 63%, that is about Rs. 365 crores worth of debt has been hedged forward.

Amit: Okay, thanks a lot for that answer. We would like to know your strategy on the global business going forward, basically for U.S. as well as Europe?

Pankaj Patel: Our goal is basically to enter additional dosage forms into this market where we have a presence and

consolidate our position further, get into more difficult products and look at more first-to-file or a kind of a specialty driven products. Also get into more difficult dosage forms like transdermals. Going forward to make sure that as the base goes up, we have products which can contribute significantly more for products as well as can contribute to growth.

Amit: Okay, so considering this particular strategy falling in place, what could be the normal growth rate for your international business going forward?

Pankaj Patel: I can only talk about next year that we have a healthy billion target to be achieved so we have a billion dollar sales to be achieved and as we see we are on track for achieving that kind of sales and that would ensure that our international business will grow at approximately 40%.

Amit: Okay, does this include any acquisition or this is without any acquisition?

Pankaj Patel: It is without any acquisition.

Amit: Okay and sir last question, on your R&D initiative, if you can elaborate more on what have been the expenses till date and what are the key candidates in your pipeline?

Vishal Gor: Yeah the R&D expenditure for the quarter has been Rs. 347 million which is up by 38%.

Amit: And sir if you can elaborate something about your key candidates in the pipeline?

Pankaj Patel: We have one candidate which is in Phase III studies, we have three candidates which are in Phase I and II study and we have filed three more INDs which are now beginning Phase I studies. We have about five candidates which are in pre-clinical evaluation and we hope to file additional three INDs during the next financial year to make 10 INDs under clinical development by 2010-11.

Amit: Okay sir and the last question, if you have got any requirement of capital would you be raising any capital shortly?

Pankaj Patel: No.

Amit: Okay sir, thank you that's all from my side.

Moderator: Thank you for your question Mr. Amit. We have our next question from Mr. Kartik Mehta from Daiwa Securities. Please go ahead sir.

Kartik Mehta: Can you please share the breakup of sales for Europe business for quarter?

Pankaj Patel: We are not giving specific subsidiary growth now we have given you European growth.

Kartik Mehta: Okay and sir can you update us on the Hospira sales, when would you expect they would start in U.S., would that be in second half FY11 or any timeline that you can give?

Pankaj Patel: I think in FY11 we would be seeing the U.S. sales to begin as far as Hospira is concerned. We are seeing product approvals also now so next financial year we will be seeing the sales. I cannot give you exactly when it will start, but definitely next year we will see that.

Kartik Mehta: Fine and lastly your take on the scene that would emerge when there would be some more players for H1N1 vaccine, what would you expect in terms of pricing, competition, and exports selling to the less regulated markets we have and about your capacity utilization or CAPEX if any.

Pankaj Patel: As far as the H1N1 vaccine is concerned I think our first take will be to get an approval in India, before that we cannot go any other market. So once we have approval in India and we have launched the product in Indian market we are going to start registration into other markets as well. As far as H1N1 vaccine plant is concerned actually we already had built a plant for another vaccine which we are currently utilizing for producing H1 vaccine. Based on the market outcome we will basically go and build a dedicated plant for H1N1 vaccine and when we will build that we expect to spend about Rs. 80 crores.

Kartik Mehta: In terms of expected pricing scenario that you see because there could be some of the MNC guys also and 2-3 of Indian guys are also behind you, so what is your thought on that sir?

Pankaj Patel: We believe that we have a very good quality product compared to the competition; however, once the clinical studies are over we will be able to say more specifically about that. And we believe that we have a cost advantage because of the kind of technological input we are using in this which gives us a reasonably good yield of the vaccine, so we should be able to compete if the competition comes in and keep the business with us. And we are planning to register this product into other territories and other market so that we can then start selling those markets as well, however, that will be done only after we launch in India.

Kartik Mehta: Sir initially after the files are successful how many million doses capacity will be there if we actually end up spending 80 crores?

Pankaj Patel: Currently without investment in our plants we can produce about 5-6 million doses and when we set up a full plant then our capacity will be something like 21 million doses.

Kartik Mehta: And lastly what are our average tax rate that one should assume on a consolidated basis for the next one or two years?

Vishal Gor: I think the tax rate should be sub 15%, about 14-15% should be the consolidated tax rate.

Kartik Mehta: Okay thank you.

Moderator: Thank you for your question Mr. Kartik. We have our next question from Mr. Punit Adhia from MP Advisor. Please go ahead sir.

Punit Adhia: Yeah congrats for a good set of numbers. In this quarter if we look at your R&D expenditure that is decreased on a quarter-on-quarter basis, any particular reason for this?

Vishal Gor: I think that has been the trend also. Lot of development activities happened in the first and second quarter and in the third and fourth quarter there are filings happening. If you look at year-on-year then there is growth.

Punit Adhia: And one more thing that 96 million you have CAPEX R&D, that is capitalized R&D?

Pankaj Patel: Yeah, capitalized R&D means the capital expenditure incurred on R&D facilities. That is pure CAPEX on buildings and machineries. No developmental expenditures are capitalized.

Punit Adhia: Okay and the other expenditure has increased in this quarter by around 3-4% points, any particular reason for that?

Pankaj Patel: If you have any other question then you can continue and I will give you the reason later on.

Punit Adhia: Okay and I want the CAPEX for the quarter?

Pankaj Patel: CAPEX for the quarter has already been given to you but to give it to you again it was for the nine months ended December 2009 it was Rs. 207 crores.

Punit Adhia: Okay and your working capital cycle?

Pankaj Patel: It almost remains same there is hardly any change. You want the exact number?

Punit Adhia: No that is okay, it has not changed?

Pankaj Patel: No it has not changed substantially.

Punit Adhia: Okay then I have nothing else, just my question on other expenditures.

Pankaj Patel: It is mainly because of marketing and S&D related expenses.

Punit Adhia: Okay it will be at this level going forward?

Pankaj Patel: Quarter-to-quarter it may keep on fluctuating but year-on-year there would be some improvement because with growth in the business I think we would bring income efficiency to bring improvement in the overall EBITDA margins.

Punit Adhia: Okay and lastly the gross margin in this quarter was around 69.5%, will it remain at that level? Is that because of any FOREX its purely business?

Pankaj Patel: It is purely because of product mixes as you would have observed the growth in domestic formulations has been good and also the growth in wellness business was good and both are high margin businesses so it is primarily because of product mix also.

Punit Adhia: Okay thanks.

Moderator: Thank you for your question Mr. Punit. We have our next question from Mr. Surjit Pal from Tara Capital. Please go ahead sir.

Surjit Pal: Yeah thanks. Congratulations for a good set of numbers. I just want to have an idea because there is quite a big expectation on your H1N1 flu in the market. Considering the current Indian government's decision to buy vaccines and also considering situation of Glaxo as well as Sanofi in the global market and also in consultation with their event happened in U.K. where they have accepted that it was a overshooting or over expectation of H1N1 impact, so great expectation of 61,000 national was really very high figure, which is not possible going forward. So in this changed scenario do you think the expectation or commercial success of your H1N1 will be met going forward?

Pankaj Patel: Yes it will be successful and the reason is that we do not have a vaccine available in India for H1N1 at this moment. It will be the first Indian vaccine on the market. There will be a requirement to basically vaccinate high risk people first, the first estimate of government itself on that is about 5-6 million doses plus there will be also a private market which could be in the range of 10-20 million doses. Considering all that and the kind of capacity we have, we do not see any reason why we will not be able to find a market for our vaccine in India alone. Apart from that given that we have a very good quality product available we believe that we should be able to enter other market also in time to come.

Surjit Pal: I understood your point.

Pankaj Patel: What has happened in markets like U.K. or what we read in newspaper etc. basically they have done a mass vaccination across for everybody and after that these are the kind of criticism which has come on some quarters, and they have purchased more than what they require, all that has basically resulted into this criticism.

Surjit Pal: So you expect that in spite if this global giants in vaccine market and already they have approached Indian government. You believe that you can overcome?

Pankaj Patel: Time and again the Indian industry has proven that once the Indian industry comes with a product, nobody is able to compete with them and that's the reason why Indian companies are doing so well in generic market across the world.

Surjit Pal: I just need a few data points. I need to know the profit of your Hospira Nicomed and France?

Vishal Gor: See we would not be able to share the profit of France, so far as Hospira and Nycomed, yes as a policy we have been sharing. So the profit of Nycomed JV for the Quarter 3 was Rs. 39 million and for Hospira JV the profit was Rs. 64 million.

Surjit Pal: That's all, thank you.

Moderator: Thank you for your question Mr. Surjit. We have our next question from Mr. Basavaraj Shetty from Techno. Please go ahead sir.

Basavaraj Shetty: Good evening sir. Looking at the nine months sales from Hospira is it right to assume product sales of around 10 crores per quarter?

Pankaj Patel: I do not think it is right because we have just begun and we have not yet covered all the markets including

the most important market U.S. So this is just the beginning and we can see a significantly higher number next year.

Basavaraj Shetty: And can you give the ballpark number in terms of what could be the peak sales from Hospira?

Pankaj Patel: We are not sharing that information at this moment so I am sorry I am not able to provide you that information.

Basavaraj Shetty: Okay. And your launches for Hospira for U.S. market, that could happen somewhere mid next year right sir?

Pankaj Patel: Yeah U.S., launches will happen next year. Also for Europe we have supplied two products so more products will also be launched in Europe next year.

Basavaraj Shetty: And second question is on other income sir. Actually if you see the stand alone versus consolidated, there is a huge difference. Consolidated is only 2 crores whereas stand alone is around 7 crores. Can you throw some light on that?

Pankaj Patel: That's basically the way we have the transfer pricing between our subsidiaries and us. So the margins we generate outside India is basically shared between India and the foreign subsidiary. Also we have our Sikkim operations which is done in a separate entity and share of profit from that also comes in other income.

Basavaraj Shetty: And can you share your debt numbers?

Vishal Gor: Yeah sure. At the consolidated level the total gross debt was Rs. 1163 crores and in the standalone operations the debt was Rs 689 crores. However, we also had a cash balance of roughly Rs. 315 crores on consolidated basis, so net debt on was RS. 849 crores on consolidated basis.

Basavaraj Shetty: Thank you sir I am done.

Moderator: Thank you for your question Mr. Basavaraj. We have our next question from Mr. Bhavin Shah from Dolat Capital. Please go ahead sir.

Bhavin Shah: Thanks for my question. Congratulations on the great set of numbers. Sir in the Brazilian market how is the scenario panning out for generics and then the branded segment?

Pankaj Patel: Both the markets are growing well for us. We got some additional product approval and we are launching products. We expect 2-3 important product to be launched next year in the Brazilian market in the branded area plus series of generics will also be launched. So the outlook remains positive for the Brazilian market.

Bhavin Shah: Okay and in the French market how much of the business now perhaps is site transferred?

Pankaj Patel: Including site transfer as well as the new products which we have filed from India, I think it is more than 35% now.

Bhavin Shah: Okay. What would you really attribute this strong growth in America towards? These are just one of two products growing or is it gaining more market share with some place being absent, what is really going well?

Pankaj Patel: I think its combination of many factors, but first of all it is our product range. Second is that we gain out of some of the people leaving the market because of FDA issues and third is that our overall track record as supplier in the U.S. market, if you meet any customer in U.S. they will rate us among the best supplier company. And all that is basically allowing us to have a good market share plus we keep on launching new products.

Bhavin Shah: Okay so the new categories you said you are entering into transdermal and all of them, when will we see that?

Pankaj Patel: These are we are looking at beyond 2012. We already have the pipeline filed which will ensure our growth.

Bhavin Shah: Okay congrats and best of luck for later.

Moderator: Thank you for your question Mr. Bhavin. We have our next question from Mr. Rahul Sharma from Karvy Stock Broking. Please go ahead sir.

Rahul Sharma: Sir you have indicated that you are going to do a 40% growth in international revenues next year. Which geographies would be contributing to that in a major way?

Pankaj Patel: All the markets will grow, but U.S. of course will be the leader followed by Brazil, Europe, South Africa, Japan and then of course our export through our joint venture with Hospira.

Rahul Sharma: Any countries which you would like to particularly say that you will achieve probably 150 or 200 million mark in any of the regions?

Pankaj Patel: First nine months in U.S. we have already crossed \$ 100 million mark so obviously U.S. will be the market where we will cross this \$150 million mark next year.

Rahul Sharma: And sir the guidance which you had given of 1 billion revenues, will it achieve in financial year 2012 or will it be in calendar year 2011?

Pankaj Patel: Financial year 2010-11.

Rahul Sharma: And the current rate in domestic formulations, do you feel you will be able to sustain that type of....

Pankaj Patel: Yeah very much because all the dragging factors which were there, like product discontinuation, price decrease are all getting over, so we clearly see that growth will be continuing now.

Rahul Sharma: Okay and so what is the CAPEX for current year and next year?

Vishal Gor: About 250 crores for the current and similar figure for the next year.

Rahul Sharma: Okay and where it is allocated?

Vishal Gor: Various projects including expansion of normal tablet manufacturing facilities, some other ongoing projects, balancing equipments, also it will include investment for transdermal project.

Rahul Sharma: Sir any niche ANDAs expected to pan out in FY11 sir?

Pankaj Patel: Yes.

Rahul Sharma: How many can we expect?

Pankaj Patel: We plan to have niche ANDAs of something like 3-5 every year.

Rahul Sharma: And how many approvals have come in through for us in the current year in FY10?

Pankaj Patel: Up till now in the current year we have received something like 10 approvals.

Rahul Sharma: And over and above that you are expecting 3-5 ANDAs?

Pankaj Patel: We are not talking about approvals, you asked me about filing.

Rahul Sharma: No I am talking about approvals sir.

Pankaj Patel: No you are talking about total approvals or approvals for this kind of niche products.

Rahul Sharma: No approvals in the current year and niche approvals in current year also and going forward.

Pankaj Patel: Current year total approvals have been ten.

Pankaj Patel: We expect one or two more approvals before the year ends and around 10-12 approvals is what we expect every year and few of them will be niche.

Rahul Sharma: Okay sir thank you.

Moderator: Thank you for your question Mr. Rahul. We have our next question from Mr. Rajesh Vora from ICICI. Please go ahead sir.

Rajesh Vora: Good evening gentlemen, congratulations for good set of number. Pankaj Bhai if we look back in FY07 your company was delivering quarterly net profit of about 50-55 crores and now we are close to run rate of 125-130 crores. So there is a clear significant surge in the baseline growth and the profitability has also improved quite dramatically. What do you think are the drivers for this change and how would that unfold over the next 2-3 years going forward?

Pankaj Patel: A very nice and an interesting question Rajesh Bhai. The first point is that in the year 2007 we were having that growth but we were investing a lot into research, into market entry. Now those investments actually started yielding results and as a result we see a jump in both sales growth percentages and profits also have started kicking in the process. We still have a lot of territories where we are in the growth phase, so going forward all these territories should continue helping us to grow rapidly and in the process improve our margin as well. If you even see that between the last year and today we have also improved our operating margins every year by about 1 percentage on a continuous basis. So we see that our strategy of basically investing aggressively at the same time focusing on few markets with right kind of product-mix has actually yielded these results.

Rajesh Vora: Sure. And another element of this strategy has been mid-size acquisitions over the last few years, so going forward you would continue to focus on that area as well?

Pankaj Patel: Any market where we want to enter, we are going to focus on the same strategy of basically not doing a big ticket acquisition but small acquisitions and have quick entry in the market and then leverage on our strength of product development and product supply to grow that market very rapidly and also make them profitable.

Rajesh Vora: And this 125-130 crores baseline profitability which you have been maintaining over the last three quarters in this year, should be sustainable level I assume?

Pankaj Patel: Yeah I think that's past glory for us now, so we have to look at new milestones now.

Rajesh Vora: Sure happy harvesting, thank you so much.

Pankaj Patel: Thank you.

Moderator: Thank you for your question Mr. Rajesh. Our next question from Mr. Gupta from Tata AIG. Please go ahead sir.

Cheenu Gupta: Hello sir. Congratulations on a good set of numbers. I wanted to ask about the trend that you are seeing in the Japanese market and if you could comment on your growth?

Pankaj Patel: Japanese market is a high growth opportunity for us. The trend is that the Japanese market we see a more and more media pressure on government and on the medical profession to increase penetration of generics. We see it is at inflection point, any time it will start seeing a very high growth rate. If you see our nine month we also grew by very high percentage but of course I will not like to talk about our growth because of low base. But I feel overall market to really significantly grow in next 1-2 years. We believe that it is the next big generic opportunity for all the generic players of the world.

Cheenu Gupta: And you also talked about the increasing complexity of filings in the U.S. market. If you could please give us a flavor of your adjusting filings in terms of maybe the plain vanilla filings or Para-IV FTF, and difficult-to-manufacture.

Pankaj Patel: Usually our strategy has been around the difficult-to-manufacture products than the FTF opportunities, so most of these are no exclusive FTF. There are a number of difficult-to-make products which are like FTF but they are shared opportunities. But we see a number of products where there will be only one or two competition in these products. I do not have a specific number to give you where I can say that so many products where we expect one or two competitions

and so many products we expect more competition, but the basket we see clearly would ensure that we would continue growing and also at the same time would be able to maintain our margins.

Cheenu Gupta: Okay sir thanks a lot.

Moderator: Thank you for your question. Our next question comes from Mr. Milind from Tata Securities Ltd. Please go ahead sir.

Vivek: Hi this is Vivek. I just wanted to know the total number of approvals in the European markets?

Pankaj Patel: For Europe the total number of site transfers which have been approved are 43, while 34 new product filings have been approved till date.

Vivek: Okay, I do not know if I missed on this particular thing because I joined a bit late. Sales guidance which you have given for FY11, that's a EBITDA of margin guidance?

Pankaj Patel: As a practice we do not issue any guidance but our vision statement states that we would be achieving \$1 billion mark in 2010, i.e. FY11 and we would very much stick to that guidance.

Vivek: In terms of the margin you do not want to put any kind of figures?

Pankaj Patel: No as such even this \$1 billion is not the guidance. It is our vision.

Vivek: Yeah I understand. Thanks a lot.

Moderator: Thank you for your question Mr. Vivek. Our next question comes from Mr. Girish Bakhru from JM Financial. Please go ahead sir.

Jesal: Hi this Jesal, just a question on your European business, on a quarter-on-quarter basis it has grown quite significantly, you mentioned that Clopidogrel has been a big driver so can you just help us understand in terms of what exactly happened in that product?

Pankaj Patel: The patent of Clopidogrel expired in Europe in the last quarter i.e., October-December quarter and we were expecting big numbers from that product because the size of that product itself is quite big and it did not have any base effect so that is why this high growth of 32%.

Girish Bakhru: So how much market share would you have taken in that?

Pankaj Patel: We do not have the data as of now because the product was just launched and we have not yet got any market data.

Girish Bakhru: Okay so basically the base that has been created will sustain going forward?

Pankaj Patel: We expect so. Of course there was some first time channel filling also so you cannot expect the same kind of number every quarter. We have to see how the secondary moves.

Girish Bakhru: Okay on the domestic front can you just breakup your growth in terms of volume-value and contribution of new products meaning the products which are introduced in the last two years?

Pankaj Patel: The products which have been introduced in last two years would have contributed about 5-6% while the price increases would have given about 2.5-3%.

Girish Bakhru: Okay thank you so much.

Moderator: Thank you for your question sir. Our next question comes from Mr. Amit from Enam Asset Management. Please go ahead sir.

Amit: Sir I am not sure if I have missed this, what would be the sales guidance for the two years going forward?

Pankaj Patel: As a company we do not issue guidance. We have a \$ 1 billion benchmark for next year.

Amit: And what would be the dollar amount which you would be taking in that particular guidance?

Pankaj Patel: Rs.47.

Amit: And would you be considering any guidance about margin outlook going forward?

Pankaj Patel: Generally our track record is to basically improve the margin by about 1% every year and we hope to do the same thing even next year.

Amit: Okay thanks a lot.

Moderator: Thank you for your question Mr. Amit. Our next question comes from Mr. Kaushik from Kotak Mutual Fund. Please go ahead sir.

Kaushik: Yeah hi congrats to the management team on an excellent set of numbers, just a bunch of questions about Hospira JV. On a per product basis we have about on an average for the nine months we would have had some two products right?

Pankaj Patel: Yeah.

Kaushik: Yeah so on a per product basis would the U.S. and the European market would be different or they will be similar?

Pankaj Patel: They will be different and also every product will be different because some products could have a \$ 1 million sales and some product could have \$ 10 million sales. So if you look at it from that point of view it is not comparable in that way. Also you enter Europe market-by-market. So Europe market is not one country but 10 different countries so it also takes its own time.

Kaushik: Okay so basically when U.S. starts on a per product basis we should generate much higher revenues at the very onset?

Pankaj Patel: Absolutely, what we have seen is just the beginning. We see a substantially larger revenue going forward.

Kaushik: Right. So it will be also okay to assume a significant improvement in margin from this particular JV once the U.S. market and the European markets properly kicks in and higher utilization kicks in?

Pankaj Patel: Margins percentages will not change much, absolute amount will change.

Kaushik: Okay and Vishal, the pat number of Hospira that we are sharing that is post tax? So would the Hospira JV taxes be very different from our company or it will be similar?

Vishal Gor: It's in an SEZ so zero taxes.

Kaushik: Okay thank you sir, that's all. Good luck.

Moderator: Thank you for your question Mr. Kaushik. Our next question comes from Mr. Akshat Vyas from EMKAY Global. Please go ahead sir.

Manoj: Yeah hi good evening this is Manoj. Congratulations on a good set of numbers. Pankaj Bhai just to understand after attaining the critical marks in the U.S. markets in the last four years and having a value base of 125-130 million, do we see the similar kind of growth climb like around 45-50% from the U.S. going forward?

Pankaj Patel: Yes.

Manoj: We expect his trend to maintain?

Pankaj Patel: I cannot give you a percentage but high growth will be maintained. It's difficult to agree to a particular percentage because then I would have given you guidance. Growth will continue as far as U.S. is concerned.

Manoj: Okay and sir third thing is that about this H1N1 vaccine, like if you see the international price for this vaccine is around \$ 10 per vaccine. How do you see this pricing scenario while we are supplying to the government of India?

Pankaj Patel: It should be lower than that.

Manoj: Any ballpark numbers which you are having?

Pankaj Patel: At this point of time we cannot give you a number. We still have not discussed with government. But I will update you as an Indian company to help our people first, so we are going to basically reasonably price the product as we have always done.

Manoj: That's all from my side sir, wish you all the best, thank you very much.

Moderator: Thank you for your question Mr. Pankaj. Our next question comes from Mr. Kartik Mehta from Daiwa Securities. Please go ahead sir.

Kartik Mehta: Hi sir, can you update us if there is any development on the period till which the supplies to Nycomed for the Pantoprazol JV will continue. We have not seen too much margin erosion at all so is it that we had guided very lowly for it, now we have surpassed the entire year guidance that we had for this. Would you want to share anything on this?

Pankaj Patel: We see a continuously good volume for Nycomed so if that volume continues then our margins should be also equally good and as the indications today we see a good volume. Now exact numbers I am not able to share with you because these are all very fluid because they have all become generic now. But in spite of being generic we see a good volume by our partner.

Kartik Mehta: Anything that you would like to share on the expected revenues in particular?

Pankaj Patel: Next year revenue guidance we will provide you somewhere in April.

Kartik Mehta: No I was just asking about Pantoprazole?

Pankaj Patel: Pantapezol we see a good volume. We are going to start making API also now here. The plant is at a very advanced stage of completion which is going to produce about 18 different APIs for Nycomed including Pantoprazole. So we see a good volume going forward as well.

Kartik Mehta: So, on a year-on-year basis only for Pantoprazole do you expect at least flat revenues?

Pankaj Patel: I would suggest some decline I would not suggest flat because I would like to be cautious there. If it happens it is very good we will definitely take it because we have the capacity but we would like to be cautious about giving you a specific guidance on a higher number or an equal number. We should expect lower number next year.

Kartik Mehta: And would that include any tie-ups with any of the other generic guys who would enter when they would be selling the formulation for Pantoprazole?

Pankaj Patel: No our partner itself is basically selling the authorized generic there so they are seeing good growth.

Kartik Mehta: Okay thanks.

Moderator: Thank you for your question Mr. Kartik. Our next question comes from Mr. Surjit Pal from Elara Capital. Please go ahead sir.

Moderator: Thank you for your question Mr. Kartik. As there are no more questions I would now like to hand over the conference to Mr. Pankaj Patel. Please go ahead sir.

Pankaj Patel: Thank you very much for joining the conference call and have a good evening.

Moderator: Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Tata Indicom conferencing services. You may please disconnect your lines now. Thank you.