

## Investors/Earnings Conference Call (July 27, 2009)

**Moderator:** Good afternoon Ladies and gentlemen, this is Subbulakshmi, the moderator, for your conference call today. We 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 afternoon and welcome to our post-result tele-conference for the first quarter of the year 2009-10. Before I take you through the highlights of the quarter, let me tell you that it was a very good quarter.

Let me now take you through the highlights of the operations for the quarter.

During the quarter,

- Domestic formulations business posted healthy growth of 13 % with launch of 17 new products, incl. line extensions, of which 2 were FIRST IN INDIA.
- Continuing robust performance quarter-on-quarter, US business posted sales of Rs. 1479 Million, up 81 % y-o-y, with launch of Mycophenolate Mofetil Tablets and Capsules.
- Europe business registered growth of 39 % and posted sales of Rs. 638 Million, with Spain posting sales of Rs. 39 Million We launched 4 new products in the French market.
- Exports to emerging markets grew by 86 % and posted sales of Rs. 526 Million, which includes sales of Rs. 168 Million of Simayla Pharma, South Africa.
- Zydus Hospira JV commenced commercial operations from May-09 and posted sales of Rs. 468 Million and profit of Rs. 128 Million during the quarter (50% of which is our share).
- Consumer wellness business grew by healthy 28 % with significant pull effect generated thru focused promotion and advertising. We launched exclusive skincare range for men under the EverYuth banner.
- We filed our 7th IND – ZYD1, a novel GLP-1 agonist molecule with DCGI.

ZYD1 is a novel candidate in the class of anti-diabetic agents known as incretin mimetics and has displayed a better efficacy and safety profile.

- We filed 3 DMFs with USFDA, taking cumulative filings to 79 DMFs.
- We received approvals for 6 ANDAs, with which, cumulative number of US ANDA approvals has reached 48.
- We received 3 new product approvals for French market, taking cumulative approvals to 31 approvals.

Now let me take you through broad financial highlights.

During the quarter, on a consolidated basis,

- Total Income from Operations grew by 27 % y-y to Rs. 9035 Million from Rs. 7140 Million last year, driven mainly by growth in domestic formulations, US, Europe, emerging markets and consumer wellness business.
- EBIDT was up by 26 % y-y to Rs. 2036 Million from Rs. 1617 Million, maintaining the EBIDT margin (% to operating income) at 22.6 %.
- Operating profit before tax (excl. exceptional items and exchange rate loss on forex loans) was up by 25 % y-y to Rs. 1511

Million from Rs. 1210 Million last year.

- Net profit was up by 39 % to Rs. 1248 Million from Rs. 897 Million last year.
- In line, EPS grew by 39 % to Rs. 9.14 per share from Rs. 6.57 last year.

Thank you and we will now start the Q and A session. I have with me Mr. Nitin Parekh, our CFO and Mr. Vishal Gor, our DGM Investor Relations. We will take up the questions for finance and data by Nitin and Vishal and I will answer the business-related questions. Over to moderator Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the live question and answer session. If you have any questions, 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 a request, you may do so by pressing the # key. We have our first question from Ms. Rohita from Enam Securities.

**Rohita:** Hi, congrats on a good set of numbers. Just had a couple of questions. First on the U.S. market, given the strong sales that you recorded for the quarter, do you expect this trend to continue? And secondly on Hospira, if you could just tell me what was your share of sales and profits for the quarter?

**Pankaj Patel:** In US we are expect the same trend to continue. As far as Hospira is concerned, I have already mentioned our share of sales was 50% of Rs. 468 Million Rupees and profit was 50% of Rs. 128 Million Rupees.

**Rohita:** Okay fine yeah thanks and just another question on the US market. Last time, we were guided for around \$100 Million sales for the full year from US and given the strong growth that you have seen in the last quarter, are you not looking at revising it upwards?

**Pankaj Patel:** We expect the number to be upward of \$ 100 million however we are not revising our guidelines.

**Rohita:** Okay and just another question on the API growth in exports for the last four quarters you have been recording some double-digit growth in the API segment. However for this quarter, it is been a single digit, I mean any particular reasons for this?

**Pankaj Patel:** This quarter, the consumption of APIs for our captive requirements, that is, use in the formulations manufacturing has gone up significantly. As a result we were not able to service some of the orders of export and hence the growth is only 7% for the quarter but going forward we expect the growth to be better.

**Rohita:** Okay fine, thank you, thanks so much.

**Moderator:** Thank you Ms. Rohita. We have a next question from Mr. Manoj Garg from Emkay Finance.

**Manoj Garg:** Yeah good evening and congratulations for a very good set of numbers. Just one thing I would like to understand about Nycomed. In Q4 conference call you indicated for the whole year the top line would be around Rs. 600 Million, where as in this quarter itself you have done around Rs. 29 Crores. So do you still maintain that guidance or you would like to revise it?

**Pankaj Patel:** We still maintain the same guidance.

**Manoj Garg:** Okay, second thing is we have seen in your annual report, about Zydus Noveltel last year you made a loss of around 199 Million, Can you throw some light on this venture in particular?

**Pankaj Patel:** This venture is for a novel drug delivery systems and we are currently in the process of developing and filing of the ANDAs with the USFDA.

**Manoj Garg:** So, when do we see the products coming out of this venture and when would we start monetizing those opportunities?

**Pankaj Patel:** We expect the revenue from this venture to start 2011-2012.

**Manoj Garg:** Okay. And is it possible for you to disclose the area which like which are the products which you are working on?

**Pankaj Patel:** I cannot give you specific product details but we are basically working on transdermal products.

**Manoj Garg:** Transdermal products. Fair enough, sir. And apart from whatever forex loss which you have reported under interest head, do we have any other forex loss or gain during the quarter?

**Nitin Parekh:** Rs. 76 million of forex loss has been charged off in the quarter.

**Manoj Garg:** 76 Million, okay. Where you are reporting, to which line item you have reported this sir?

**Nitin Parekh:** It has been included in other expenditure.

**Manoj Garg:** Okay, thanks a lot. That is all from my side, thank you very much.

**Moderator:** Thank you Mr .Manoj. We have a next question from Mr. Girish from JM Financial.

**Girish:** Yeah, hi sir. This quarter other expenses, besides forex, do they include any one off because they are pretty high in this quarter?

**Vishal Gor:** See, in the other expenses, the expenses of the acquired companies namely Simayla, South Africa, Laboratoris Combix, Spain and Etna Biotech, Italy are also included, which were not there in the first quarter of last year.

**Girish:** How much would that be exactly like, if you can give a ballpark figure?

**Nitin Parekh:** About Rs. 120 Million.

**Girish:** Okay and how much was the Brazil turnover in this quarter?

**Nitin Parekh:** It was 366 Million Rupees.

**Girish:** 366 Million, okay. Another thing I wanted to ask was on the minority interest, if you can give a break up of that.

**Nitin Parekh:** That would be mainly in Zydus Wellness, Simayla, South Africa, Zydus Healthcare, Sikkim and Zydus Noveltch. These are the companies where we have minorities. As you would know, now we do not have any minority interest in our US subsidiary which was the main profit making subsidiary and that is why there is a reduction in the minority interest.

**Girish:** Can you give a break up of that like in the number terms?

**Nitin Parekh:** I do not have it right now, I will provide it offline.

**Girish:** All right. Just wanted to confirm how much was the contribution from Altana JV in this quarter?

**Nitin Parekh:** It was 294 Million Rupees in sales and was 205 Million Rupees in profit.

**Girish:** Alright sir, thank you sir.

**Moderator:** Thank you, Mr. Girish. We have a next question from Mr. Nimish Mehta from MP Advisors.

**Nimish Mehta:** Yeah hi, congrats for a great set of numbers. First of all, I would like to know what is the average rate of foreign exchange, US dollar versus Rupee that you would have taken for this quarter as well as for the last quarter?

**Pankaj Patel:** Around Rs. 48.

**Nimish Mehta:** For both the quarters Q1FY09 and '010?

**Pankaj Patel:** No it was for 2009-10

**Vishal Gor:** Yeah last year it was about Rs. 42.

**Nimish Mehta:** 48 versus 42. Okay. Second, I wanted to know as to why is the gross margin this quarter very high and you also mentioned about the other expenditure very high. If you can just repeat that, I missed that point.

**Pankaj Patel:** Increase in gross margin is due to better products mix. With respect to the other expenditure, we explained that last year we did not have the expenditure of three acquisitions made during the year which is Simayla in South Africa, Laboratorios Combix, Spain, and Etna Biotech, Italy. Expenditures of these companies, approximately Rs. 120 Million, have been added to expenditure this quarter which was not there last year.

**Nimish Mehta:** 120 and this is a kind of recurring right because we will continue to have this kind of a run rate for other expenditures.

**Pankaj Patel:** Yes.

**Nimish Mehta:** Okay, the next thing I would like to know about is your launch of Mycophenolate Mofetil, can you just throw some light on what is the share that you have got and I mean we understand that it is a difficult market for generics, so how much is the generic penetration so far and any kind of price erosion that you would have seen in general?

**Pankaj Patel:** I do not have the data with me just now. We will provide you this information offline.

**Nimish Mehta:** Okay, finally on Hospira JV, how many products have we started with in terms of our first launch this quarter?

**Nitin Parekh:** This quarter we have started with three products.

**Nimish Mehta:** Okay and what do you think would be the ramp up?

**Nitin Parekh:** We have already provided you some guidance and we believe that we are on right line on those guidance.

**Nimish Mehta:** Yeah but for this entire year will you be generating sales only from these three products or will there be any more products that you would launch?

**Nitin Parekh:** We expect to add one more product this year.

**Nimish Mehta:** Okay. Thanks very much.

**Moderator:** Thank you, Mr. Mehta. We have a next question from Mr. Alok Dalal from MF Global.

**Alok Dalal:** Yeah, thank you and congratulations on a good set of numbers. Sir, what has been the R&D spending this quarter?

**Nitin Parekh:** Rs. 469 Million.

**Alok Dalal:** 469, okay, thank you and for domestic market, Mr. Patel, if you can throw some light on how are we placed with respect to the next two quarters?

**Pankaj Patel:** I think we are looking at growth anywhere between 13% to 15% for next two quarters as well.

**Alok Dalal:** Okay and the Hospira joint venture is an assured offtake contract, is that understanding correct?

**Pankaj Patel:** Right.

**Alok Dalal:** Okay, lastly some data point. What have been the sales in France and Japan?

**Vishal Gor:** In France, the sale was Rs. 599 Million. And in Japan, it was Rs. 84 Million.

**Alok Dalal:** 84 and Altana, I missed out on the sales number if you can give me?

**Vishal Gor:** Rs. 294 Million.

**Alok Dalal:** Okay, thank you so much.

**Moderator:** Thank you, Mr. Alok. We have a next question from Mr. Rahul Sharma from Karvy Stock Broking.

**Rahul Sharma:** Sir, just wanted to know how come there has been a sudden growth in your generic formulations, which was not the focus area before in the domestic space and would like to get the break up of formulation exports for this quarter from major regions?

**Pankaj Patel:** In generic formulations, sales growth is 25% so it is not a big jump and it might be that last quarter last year same quarter of a number would have been lower and this time it is again normalized. What was your second question please?

**Rahul Sharma:** Sir, break up of revenues for the formulation exports for the quarter.

**Pankaj Patel:** Formulations exports to US is Rs. 1479 Million, France is Rs. 599 Million, Brazil is Rs. 366 Million, Spain is Rs. 39 Million, Japan is Rs. 84 Million, South Africa is Rs. 168 Million, the rest of the world is Rs. 358 Million and Hospira is Rs. 234 Million.

**Rahul Sharma:** 234, is this our sales or Hospira's?

**Pankaj Patel:** This is our share in sales of Hospira JV.

**Rahul Sharma:** And sir another thing was what is the underlying figure why we have had a loss on forex covers, could you give a small clarity on the revenue part and the balance sheet part what is open as of now sir?

**Vishal Gor:** As I said Rahul, in the general expenses we have loss of about 76 Million Rupees.

**Rahul Sharma:** Right. And this is on account of how much revenues have we hedged, are they open or...?

**Vishal Gor:** The receivables are hedged forward right now and the average rate is 45 and this is outstanding as on June 30, 2009.

**Rahul Sharma:** How much is the receivables that is outstanding?

**Vishal Gor:** 52 Million Dollars worth of receivables are hedged forward.

**Rahul Sharma:** Okay and any derivative contracts or options which are there?

**Vishal Gor:** Receivables are hedged through forward contracts only.

**Rahul Sharma:** Okay, and what about the loans, which are there?

**Vishal Gor:** Out of the total debt about 54% is foreign currency debt, of which about 63% is hedged through various contracts.

**Rahul Sharma:** Okay but all of this is in dollar or is it in other currencies also?

**Vishal Gor:** In Euro terms, debt is about 10 Million Euros, rest everything is in Dollar.

**Rahul Sharma:** What rates are they hedged at to Dollar gross?

**Vishal Gor:** They are hedged at different rates; I mean it is a long list.

**Rahul Sharma:** Okay, thank you.

**Moderator:** Thank you, Mr. Sharma. We have a next question from Mr. Kartik from Daiwa Securities.

**Karthik:** Hi sir. I just want to understand in terms of our JV with Hospira, what is the normal inventory level, if you could share that and in terms of launching of products? Do we need to incur any capital expenditures in FY11 or so on and if you would actually quantify that?

**Pankaj Patel:** First of all, I do not have data on inventory part. As far as capex is concerned, our JV has complete capacity to supply products and we do not require any additional capital expenditure for ramping up the sales.

**Karthik:** So, sir on the first part of the inventory would it be fair to assume that 468 Million is for 2.5 months or two months sales or?

**Pankaj Patel:** We have just started commercial production in May and whatever we have produced in two months, we have supplied. I don't know how much of this is for their normal inventory requirements.

**Karthik:** Okay, thank you.

**Moderator:** Thank you, Mr. Karthik. We have a next question from Mr. Prashant from Citi Group.

**Prashant:** Hi, I just missed that FOREX expense as a general expenses, that was 76 Million, was it?

**Vishal Gor:** Yeah correct.

**Prashant:** And this is entirely realized or is there a translational mark-to-market?

**Vishal Gor:** No, it is both.

**Prashant:** Okay, what part is realized?

**Vishal Gor:** About 63 Million Rupees is unrealized and 13 Million Rupees have been realized.

**Prashant:** Okay, thank you. Can you just give me a debt figures at the end of the quarter?

**Nitin Parekh:** 1258 Crore Rupees.

**Prashant:** Thank you.

**Moderator:** Thank you, Mr. Prashant. We have a next question from Mr. Krishna from Capital Market.

**Krishna:** Hi sir, congrats for good set of numbers. I am sorry for repeating same question. Sir, can you give me that Altana JV sales number?

**Vishal Gor:** 294 Million Rupees.

**Krishna:** Sir, what is exceptional item of 92 Lakhs?

**Vishal Gor:** It is the retrenchment compensation in Brazilian subsidiary.

**Krishna:** Okay sir, thank you.

**Moderator:** Thank you, Mr. Krishna. We have a next question from Mr. Ashish from Lucky Securities.

**Ashish:** Yeah, my question is for Mr. Patel. Sir, if you could give an indication of how you see the domestic formulations market shaping up over the next four to five years, I mean at the end of five years from today, what would be the growth rate you would anticipate in the domestic formulation market given the increasing launch of newer products by the MNCs and not so many by the Indian companies?

**Pankaj Patel:** Domestic market will continue growing at around 15% for the next five years as I see it and you must have seen number of reports where people have estimated what kind of pipelines are there, what kind of product would have patent protection in India.

**Ashish:** Okay, and as far as our formulations business, for our top 10 formulation brands, what would be the kind of growth rate that we would look even in the longer term?

**Pankaj Patel:** We have two kind of approach for our formulation business. We have strong brands and there our strategy is to basically consolidate our position and continue growing. There we expect like single digit, 8% to 9% on average for all brands put together. From the other brands which are smaller brands and the newer brands, we expect the growth to be in the vicinity of between 20% to 30%, which ultimately helps us to bring our overall growth to about 13 to 15%

**Ashish:** Sir, just wanted to also understand the threat to our top 10 brands, I mean how they are threatened by a new chemical entity or by new molecules?

**Pankaj Patel:** See, all of our top 10 brands are matured molecules and are being even launched elsewhere also.

**Ashish:** Okay and this status will continue for the next five years?

**Pankaj Patel:** Yes. Because there is nothing we can see in pipeline.

**Ashish:** Okay, so the pipelines competing against our top brands are not very healthy, is that right sir?

**Pankaj Patel:** Yes right.

**Ashish:** Okay, right sir, thank you very much sir. All the best.

**Moderator:** Thank you, Mr. Ashish. We have a next question from Mr. Bhaven Shah from Dolat Capital.

**Bhaven Shah:** Congrats on the numbers sir. Just wanted to understand broadly the CapEx for this year and just as the question might sound repetitive on the Hospira JV, just wanted more clarity I mean considering that this is a two months sale, if you could reiterate your guidance for the full year?

**Nitin Parekh:** This year, we expect capital expenditure of about 200 Crore Rupees.

**Bhaven Shah:** And on the Hospira JV front?

**Pankaj Patel:** On Hospira JV front, we expect our part of the sales to be anything between 60 to 80 Crore Rupees.

**Bhaven Shah:** Alright sir, thank you so much.

**Moderator:** Thank you, Mr. Shah. We have a next question from Mr. Rajesh from ICICI Securities.

**Rajesh:** Good evening, gentlemen, and congrats on good set of numbers. Pankaj bhai, on the pantoprazole, company has done reasonably well. What is the outlook going forward in terms of volume growth and anything on pricing that you might look forward to? I believe June 2010 is when all the other generics will enter the market right?

**Pankaj Patel:** Yeah, As far as U.S. is concerned you are right. Europe, you know there are already generics being launched, what we have heard from our partners is that in spite of generic being launched, they have been able to retain good market shares for their products. As a result, two things have happened with the JV, one is that the base demand of partner has not come down as this was expected. Number two, they have now stopped buying from anybody else and buy solely from the joint venture, which has basically also helped us to increase the volume. By 2010, our API facility would be fully commissioned and operational and that would basically give us additional revenues and whatever dip will come due to patent expiry of Pantoprazole, large extent of that will be compensated by the APIs which are going to be produced in the JV. On top of it, of course, the Hospira has started contributing additional revenues.

**Rajesh:** Okay, so net-net you are saying that at the top line, clearly, you do not see combined with Hospira and if you look at Nycomed JV also together, you are saying that there would not be any significant dip in the revenues, so to say from the joint ventures?

**Pankaj Patel:** We expect it to be rather positive, that is, both Hospira and Nycomed put together, we would have more profits than what Nycomed used to contribute.

**Rajesh:** Okay and Nycomed gives you a significantly higher profit margin of close to 70% after tax, so obviously the other API that you are going to get are unlikely to be at that level, so there could be some impact on the profit level?

**Pankaj Patel:** Yes, percentage profitability will be affected but because Hospira ramp up will happen, it will compensate more than the losses which we are going to generate.

**Rajesh:** Okay, great. And any thoughts on debt which has gone up to Rs. 1258 Crore now, what is the plan for reducing that number, if any, over the next three years or so?

**Pankaj Patel:** Our strategy is to maintain less than 1:1 debt equity ratio and we have an internal charter not to exceed that. And if you see, our net debt equity ratio currently is only 0.67.

**Rajesh:** Sure. And last question on USFDA side, we have seen lot of things happening in this sector also with various other companies who are not from India like Apotex and all, some quick thoughts on that?

**Pankaj Patel:** I think, regulatory risk is one of the major risks which the pharmaceutical industry faces globally and unless management takes extra care, it is going to be always a challenging time for them, so we believe that it is given thing, and one has to be extremely careful with the regulatory agencies in terms of requirements and we expect that FDA to be stricter going forward given the kind of pressure they face in the U.S. market, so the companies would require to invest on human capital, training of people to ensure that there is a continuous regulatory compliance.

**Rajesh:** Okay, great. And last one on the U.S. profitability, U.S. business, you have done a great job on scaling it up pretty well over the last few years and now the run rate is also increasing, how is the profitability mood and where do you see going forward broadly, is it improving and where is it on the first quarter? Rs. 1479 Million is the top line right?

**Pankaj Patel:** Yeah.

**Rajesh:** What is the bottom line there?

**Pankaj Patel:** Profit number is 323 Million Rupees. We see clearly now that in U.S., there is a some change. There is a price stabilization situation occurring. A typical generic industry goes through this cycle. First, there is high competition, prices fall, then price stabilize and go up and then again there is a cycle where this starts again. We believe that there are less number of reliable quality suppliers in U.S. market today and as a result, there is a price stabilization effect to some extent happening.

**Rajesh:** Great, all the best and thank you.

**Moderator:** Thank you, Mr. Rajesh. We have our next question from Mr. Nimish Mehta from MP Advisors.

**Nimish Mehta:** Yeah, thanks for taking my question again. I will request some more insight on Hospira in terms of one, if you can give the name of the products that have been launched this year. Second, whether those are patented products as of now in the U.S. market or so, any color on the market share in the target market wherever they have launched?

**Pankaj Patel:** Unfortunately, we are not allowed to share the name of the products but we can say that this product which we have exported currently are only for European markets. We expect USFDA inspection of our plant.

**Nimish Mehta:** When do you expect this USFDA inspection and approval?

**Pankaj Patel:** This year. We expect it in third quarter.

**Nimish Mehta:** Okay, and have these products been launched earlier, I mean Hospira has already launched and they have started outsourcing from the JV or those are new products even for Hospira?

**Pankaj Patel:** It's a mix of both.

**Nimish Mehta:** And any kind of market share that Hospira enjoys in those target markets?

**Pankaj Patel:** Currently, we do not have any data on this.

**Nimish Mehta:** Okay, finally if you can just share the profitability geography wise, that will be great, we had sales?

**Pankaj Patel:** We can share this with you offline. I will ask Vishal to discuss with you.

**Nimish Mehta:** Okay, thanks. Thanks very much. Bye.

**Moderator:** Thank you, Mr. Mehta. We have a next question from Mr. Nilkanth from Credit Suisse.

**Nilkanth:** Hi, congratulations on great results especially in the U.S. You said, you had 48 approvals in the U.S., how many products have you launched and how many ANDAs are pending and how many are you filing every year?

**Pankaj Patel:** Currently, we have launched 25 products. We have filled over 90 ANDAs already in our strategy is to file 15 to 20 every year.

**Nilkanth:** Any particular product areas or therapy areas that you are targeting?

**Pankaj Patel:** Generally generics with some differentiation, where we see there is an opportunity, it is a mix of both some of the products where supplies are a problem, going off patent, some drug delivery based products, some difficult to manufacture products on technology perspective, so it is a mix of products basically.

**Nilkanth:** Okay, understood. And your comment on price pressure actually coming down a bit, is that a reflection of slowing approvals at the FDA or is this also that the wave of Indian company that entered the market are now much more mature and they realize price cuts are not the only way to get share?

**Pankaj Patel:** I guess it is supply problem. In U.S. markets, companies are unable to deliver.

**Nilkanth:** I am sorry sir, is there a shortage of capacity is that what do you mean?

**Pankaj Patel:** Well, I do not know whether it is a shortage of capacity or but seems to be less supply of products than what is required in the market.

**Nilkanth:** Okay, thanks. And last question, when were your facilities last inspected by the FDA?

**Pankaj Patel:** In February 2009.

**Nilkanth:** Sorry. Okay, thanks very much.

**Moderator:** Thank you, Mr. Nilkanth. We have our next question from Fatima Khan from Independent Research.

**Fatima:** Hello, good afternoon sir, and congratulations for the good quarter this year. Your interest and financial charges were Rs. 229 Million this quarter, do you expect these charges to remain stable over the year?

**Nitin Parekh:** Yes.

**Fatima:** Yes, alright. Can you throw some light about the profitability of Hospira, it is around 27.35%, so do you expect this profitability to go up?

**Pankaj Patel:** As the turnover will increase, the profitability should improve.

**Fatima:** Alright. What about pantoprazole, do you expect pantoprazole to give the similar kind of results during this year or do you expect it to go down?

**Pankaj Patel:** We expect bottom line contribution of Rs. 35 to Rs. 40 Crores in current year.

**Fatima:** Alright. Okay, that is it sir, thank you.

**Moderator:** Thank you Ms. Fatima, we have our next question from Mr. Arvind from Bank of America.

**Arvind:** Yes, I could not get the last part of the pantoprazole question, can you just repeat what was your guidance for the full year in terms of Nycomed JV contribution?

**Nitin Parekh:** We expect Rs. 60 Crore top line contribution and Rs. 35 to Rs. 40 Crores bottom line contribution from Nycomed JV.

**Arvind:** And you have already done almost half of the top line I guess.

**Pankaj Patel:** Yeah, so we may have higher numbers than the estimates.

**Arvind:** Okay and sir one more thing, can you comment a little bit on the working capital front, I mean how do they stand inventory days, debtor days etc.?

**Nitin Parekh:** Inventory levels have not changed much from the 31st March levels....

**Arvind:** And debtor days have also remained at the similar.

**Nitin Parekh:** Almost similar.

**Arvind:** Okay, thanks so much.

**Moderator:** Thank you, Mr. Arvind. We have a next question from Manoj Garg from Emkay.

**Manoj Garg:** Sir, would you like to just give some colour on your R&D pipeline and when do we see maybe a little monetization of the opportunity or things like that?

**Pankaj Patel:** We have seven INDs which are in different stages of clinical trials. We have two important joint development programmes, one with Eli Lilly & Company and the other one is with Karo Bio in Sweden. Both the joint development programmes are progressing well and we expect that some monetization of R&D should happen next financial year.

**Manoj Garg:** Okay and how do you want to take forward the projects which are in Phase 2 or Phase 3?

**Pankaj Patel:** Our objective would be to have a compelling phase 3 data in India, based on that basically we would like to take this forward for other important markets in the world.

**Manoj Garg:** So, we would like to take on our own or we will seek some out-licensing partner?

**Pankaj Patel:** We would look out for partners.

**Manoj Garg:** And have you started supplying the anti rabies vaccine to WHO on in itself?

**Pankaj Patel:** We have already started supplying the vaccines.

**Manoj Garg:** Would you like to share some numbers on that sir?

**Pankaj Patel:** I do not have the number but we will be able to provide you this information offline.

**Manoj Garg:** Okay, and do we see some more products in the consumer wellness category to be launched in future?

**Nitin Parekh:** Yes, as a part of growth strategy, it will happen.

**Manoj Garg:** Okay, thank you very much. That is all from my side.

**Moderator:** Thank you, Mr. Manoj. We have next question from Ram Hegde from Primus Invest Advisors.

**Ram Hegde:** Hi, gentlemen, I had one question, is it possible to sort of give us a sense of what is really the like-to-like sales because you have three entities which were acquired in this year which did not exist in the previous year, just have a

broad sense of what the growth was?

**Vishal Gor:** We can give the sales numbers of these subsidiaries, which you can remove from sales to arrive at like-to-like sales growth.

**Nitin Parekh:** Sales in Spain is Rs. 39 Million and that of Simayla was Rs. 168 Million.

**Ram Hegde:** Okay, and sir can you also just give a sense of what was the U.S. revenues in dollar terms?

**Vishal Gor:** It is about 30 Million dollars.

**Ram Hegde:** I have one question pertaining to your annual report where you talk of basically you know having created an international business development reserve account for restructuring purposes. Can you just throw some light exactly what is the reason for this and what are the sort of charges that you would take straight to this account? This would presumably mean that you would charge something not through P&L but straight to the results, right?

**Pankaj Patel:** Actually we have not made any charge till date against that reserve, but in future, if we have any acquisition, the one time expenses incurred for such acquisitions might be charged against that.

**Ram Hegde:** Okay, sir this is not for any of the acquisitions that you have done till date, this is for some future acquisition.

**Pankaj Patel:** It is only for the future acquisitions.

**Ram Hegde:** Okay fine, right sir, thank you very much.

**Moderator:** Thank you, Mr. Ram. We have a next question from Mr. Bhaven Shah from Dolat Capital.

**Bhaven Shah:** Thanks again for taking my question. Very quickly I just wanted to get a broad figure on the Brazilian market, is there a slight slow down that we have seen in this quarter?

**Pankaj Patel:** Yes, we see a slight slow down in the Brazilian market this quarter. This is mostly a timing issue because of some of our products were not released by customs in time and as a result we lost some sales but we believe it is not a continuing problem.

**Bhaven Shah:** Okay sir, thank you so much.

**Moderator:** Thank you, Mr. Shah. We have a next question from Mr. Ashish from Lucky Securities.

**Ashish:** Sir, could you talk a little bit about the in-licensing opportunities into the Indian market for new molecules?

**Nitin Parekh:** Well in-licensing is what is going to become order of the day as we move forward, currently our company itself is negotiating something like 6 to 8 different deals for in-licensing of products and we believe that going forward this would pickup, so I guess, because there are products for which some valid patents are existing in India and even companies who are already present in India are looking for partners to market their products, so as a result, there are a number of in-licensing opportunities are there and companies with good marketing capabilities and ability to build brands should be able to get a good in-licensing deal going forward.

**Ashish:** Okay. So, what is the current domestic market sales, in-license products?

**Pankaj Patel:** I do not have the exact number available.

**Ashish:** Is it very significant?

**Pankaj Patel:** Mr. Vishal can provide you offline.

**Ashish:** Is it very significant one as on an order of margin?

**Pankaj Patel:** No, it is not significant.

**Ashish:** Okay, thank you sir.

**Moderator:** Thank you, Mr. Ashish. We have a next question from Mr. Jayesh from Morgan Stanley.

**Jayesh:** Good evening, sir. My question was regarding the U.S. geography, apparently we have done very well this year as well and the last two years. If you were to take a slightly longer term view and view for next three to four years, what kind of growth do we see in the U.S. geography business?

**Pankaj Patel:** I think generic market in U.S. continues to grow. We have a differentiated strategy for the U.S. markets and as a result we are expecting that we will continue growing well in the U.S. market. If I have to put it in terms of numbers, anything between 30 to 40% CAGR should be possible.

**Jayesh:** Fair enough and sir how are we seeing prices in U.S. market for the products that you have already introduced. Do we continue to see price erosions or is there a sense of price stability there?

**Pankaj Patel:** Currently, we are seeing some price stability and the price erosion question does not exist at this moment. We were expecting actually price erosions, but it has not happened.

**Jayesh:** Fair enough. So the growth drivers, assuming for the price erosion does not happen, would be the new ANDA filings that you do and the volume growth which are happening in the U.S?

**Pankaj Patel:** That is right.

**Jayesh:** Just to verify that you said profits are around 30 Crores, again sale of 148 Crores?

**Pankaj Patel:** Yeah, Rs. 32 Crores against sale of Rs. 148 Crores.

**Jayesh:** Which is giving a PAT margin of around 22%.

**Pankaj Patel:** Yeah.

**Jayesh:** Okay, thank you sir.

**Moderator:** Thank you Mr. Jayesh. We have a next question from Mr. Ram from Primess.

**Ram:** Hi sir, just coming back to the U.S. part, if I look at on a quarterly basis, it looks like the revenue is flat, is that a right trading on a sequential basis?

**Vishal Gor:** Last year, quarter four, the sales was Rs. 130 Crores.

**Ram:** Okay, but presumably on dollar terms, I am just saying in....

**Vishal Gor:** Yes, last year, quarter four was about 30 Million Dollars.

**Ram:** Sir, is this a sort of I mean any particular reason for this flattish sort of trend on a sequential basis?

**Pankaj Patel:** Its more of a timing issue.

**Ram:** Okay, fine, that is it, thank you.

**Moderator:** Thank you, Mr. Ram. We have a next question from Mr. Rahul Sharma from Carvy Stock.

**Rahul:** Sir, on the U.S. business, does this Rs. 32 Crores includes the research which you have spent on the products which are supposed to be launched?

**Pankaj Patel:** No.

**Rahul:** Okay, how much is the R&D sir?

**Pankaj Patel:** R&D for the quarter in total is 469 Million Rupees.

**Rahul:** And attributable to U.S. business sir?

**Pankaj Patel:** About 40% of that is for U.S.

**Rahul:** Okay, thank you.

**Moderator:** Thank you, Mr. Sharma. 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, have a good evening.

**Moderator:** Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and using Tata Indicom Conferencing Services. You may please disconnect lines now. Thank you. Have a pleasant evening.