

Investor/Analyst Conference Call (July 28, 2010)

Moderator: Good evening ladies and gentlemen, thank you for standing by. This is Prajakta, the moderator for your conference call today. Welcome 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 a listen-only mode. Later, we will conduct the 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: Thank you. Good evening and welcome to our post-result tele-conference for the first quarter of the year 2010-11. We have with us Mr. Sharvil Patel, Dy. Managing Director, Mr. Nitin Parekh, CFO and Mr. Vishal Gor, General Manager, Investor Relations.

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

During the quarter,

- India formulations business posted healthy growth of 17 % with launch of 30 new products, incl. line extensions, of which 8 were FIRST IN INDIA.
- We became the first Indian company to launch indigenously developed and manufactured H1N1 vaccine – VaxiFlu-S.
- Continuing robust performance quarter-on-quarter, US business posted sales of Rs. 2,227 Mio., up 51 % y-o-y, with launch of Tamsulosin Caps (Day 1), Anastrozole Tabs (Day 1) and Famotidine Susp.
- Zydus Wellness posted excellent results with sales up by 36% to Rs. 873 Mio. and net profit up by 52% to Rs. 76 Mio.
- During the quarter, ZWL launched ‘Sugar Free TeaLite’, a unique concept which offers the goodness of tea minus the calories. ZWL also launched flavoured sachets of Sugar Free and a range of hand sanitisers during the quarter.
- API exports business (other than Nycomed JV) grew by 75% on continued backing from Clopidogrel sales to Europe.
- We received Phase I clinical trial permission from the DCGI for ZYOG1 - a novel GLP-1 agonist. Designed and developed using a unique platform technology, ZYOG1 is a novel, oral, anti-diabetic molecule.
- We signed a strategic licensing deal with Abbott Labs. of US to license our 24 branded generics in 15 key emerging markets, with an option of additional 40 products to be included over the term of collaboration.
- This deal aims at leveraging strengths of both Zydus and Abbott and enhancing competitiveness in the emerging markets. We received license fees of Rs. 474 Mio. during the quarter from Abbott.
- We filed 7 ANDAs with USFDA, taking cumulative filings to 113 and received 2 ANDA approvals, taking cumulative approvals to 56.
- We also received 8 new product approvals for European market, taking cumulative approvals to 42.
- Now let me take you through broad financial highlights.

During the quarter, on a consolidated basis,

- Total Income from Operations grew by 26 % y-y to Rs. 11,338 Mio. from Rs. 9,035 Mio. last year, driven mainly by growth in domestic formulations, US business, API exports and consumer wellness business. License fees received from Abbott Labs. has also buoyed this growth.
- EBIDT was up by 46 % y-y to Rs. 2,974 Mio. from Rs. 2,036 Mio. EBIDT excluding license fees from Abbott Labs. also grew by 24% to Rs. 2,524 Mio, and EBIDT margin excluding such fees increased to 23.2% from 22.5% last year.
- Operating profit before tax (excl. exceptional items and exchange rate loss on forex loans) was up by 61 % y-y to Rs. 2,436 Mio. from Rs. 1,511 Mio. last year. OPBT excluding license fees also grew by 31% to Rs. 1,986 Mio.
- Net profit was up by 60 % to Rs. 1,992 Mio. from Rs. 1,248 Mio. last year, and in line, EPS also grew by 60 % to Rs. 9.73 per share from Rs. 6.09 last year. Net profit excluding license fees also grew by 30% to Rs. 1,627 Mio. and EPS excluding such income also grew by 30% to Rs. 7.95.
- 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. Sir, we

have first question from Mr. Bhavin Shah from Dolat Capital. Mr. Shah, please go ahead sir.

Bhavin Shah: Thank you and congrats on the great number sir. Any revenue guidance or outlook on the Hospira joint venture and some details on the Nycomed JV also, when does the additional API basket come on stream?

Pankaj Patel: As you are aware that we do not give generally a revenue guidance, but we expect the Hospira number to be better than last year and as far as Nycomed JV is concerned, we have started the engineering batches for the API and we expect that before the end of the year, commercial production will start at this joint venture that means before December we should be starting the commercial production for the API and we would see some sale of API happening during the current financial year.

Bhavin Shah: So largely in the 4th quarter some revenue booking should happen?

Pankaj Patel: Right.

Bhavin Shah: Okay and any reason for muted performance in Europe generics we have seen that....

Pankaj Patel: I think it is mainly because of the fact that we had significant change in exchange rate. If you discount the exchange rate fluctuations and take the euro to euro growth, then the growth is about 13%.

Bhavin Shah: Okay, okay, fine and your view on the Latin market growth rates growing forward.

Pankaj Patel: We expect the Brazil business to grow at about 15% for the year and this growth rates can be higher if we get more approval from ANVISA which we expect, but till the approvals come, we expect that on a status quo basis, we will be able to grow the business by about 15%.

Bhavin Shah: Great. I will be in the queue. Thank you so much. Thank you.

Moderator: Thank you for your question sir. We have our next question from Mr. Sushant from Angel Broking.

Sushant: Good afternoon sir. Congratulations on good set of numbers. Sir, first on the US markets, what would be your market share on Tamsulosin product?

Pankaj Patel: It is more than 20%.

Sushant: And sir, what's the outlook in next 2 quarters something in near future?

Pankaj Patel: The outlook looks good. We should be capable to continue good growth in the US market. I cannot give you a specific number, but we already have told you that for the whole year, we are expecting a sale of about \$175 million.

Sushant: Okay and the second on the depreciation, it has come down to 31 crores i.e., quarter-on-quarter it has declined, any specific reason sir?

Nitin Parekh: The main reason is that in France, where we have intangibles, as Mr. Patel has said the euro has depreciated against rupee by almost 15%. So it is mainly because of the conversion of depreciation expense in euro terms to rupee term that it has declined from quarter-on-quarter basis, otherwise the depreciation policy is proper.

Sushant: Okay sir. That is it from my side.

Moderator: We have next question from Mr. Kartik from Daiwa Capital. Please go ahead Mr. Kartik. Mr. Kartik, please go ahead sir.

Kartik: Hello, hello.

Moderator: Yeah Mr. Kartik, please go ahead.

Kartik: Yeah. Sir to understand the increase in the gross margin, sir actually basically we have quite lower sales from Hospira as well as from Nycomed and could you explain in case in the gross margins because both on YOY basis we have

almost about 200 bps higher on that. So can you explain that sir?

Pankaj Patel: The reason is that domestic market growth is high in this quarter and obviously that is the good margin business. That is why we see increase in market and also there is income from licensing of Hospira which also basically shows the growth margin, but if you look at the gross margins excluding such income, it is lower because of lower manufacturing cost and cost reduction in some of the APIs and better sale in India are three factors responsible for that margin.

Kartik: Sir you said licensing from Hospira or is it from Abbott?

Pankaj Patel: Abbott, sorry.

Kartik: Yeah, but sir even if I exclude, even if I don't.

Pankaj Patel: If you exclude that there is still improvement in gross margin and that happens because of better sales in India and better margin in US.

Kartik: Sir is it fair to assume that you will sustain this or is there any element of one-off here in terms of the gross margins?

Pankaj Patel: No, there are no one-off here and we believe that the margin should be better going forward as well.

Kartik: And sir then on vaccine, this will be increased in the staff cost, is it to be read as you would have hired some people for vaccines or if you can throw some light on this, it will be helpful because if there is an increase in the staff cost, is it due to this business?

Pankaj Patel: No, the staff cost has gone up because of the fact that we have added field staff during the year and that additional field staff has added the cost. We also have increased our R&D staff by about 100 people and that also increased the staff cost.

Kartik: So anything that you would want to share on vaccine?

Pankaj Patel: In fact from the percentage sales point of view, the staff cost as percentage to sales remained same as last year. However, because we have added people the absolute number has gone up.

Kartik: Again, if you could share something more on your sales or your plan for the vaccine that would be helpful?

Pankaj Patel: Vaccine, we have just launched and we are getting encouraging response. It is too early for us to give you sales number at this moment. It is only sometimes we have launched the product.

Kartik: Okay and the last thing if you can share, what will be the net debt at the end of the quarter, total debt long and short and net debt?

Nitin Parekh: Net debt at the end of quarter is Rs. 740 crores and net debt-to-equity ratio 0.40.

Kartik: Thank you.

Moderator: Thank you for your question. We have next question from Mr. Alok Dalal from MF Global. Please go ahead Mr. Dalal.

Alok Dalal: Hi. Good evening everyone. Sir, I just wanted to understand the degrowth in Hospira JV, any particular reason for that?

Pankaj Patel: Yes. There is no degrowth actually, but what happened is that we started our commercial operations last year first quarter. So all the exhibit batches which were produced were dispatched at a time and as a result, we saw a high sale in the first quarter, but overall for the year, we expect better sales than last year in the Hospira JV and this quarter will not be comparable with quarter one of last year.

Alok Dalal: Okay. Sir, second question is with respect to Nycomed joint venture. Now that for Protonix, both the generic companies, Sun and Teva are out of the market. So, had Nycomed given you any indication of higher off-take in the next quarter before the patent expiry?

Pankaj Patel: Not yet we have any feedback on that. We expect that some increased uptake will be there, but currently we don't have visibility because I believe that there is enough stock push in the market by the companies you mentioned.

Alok Dalal: Okay and lastly want to clarify this licensing income from Abbott of Rs. 47 crores. This is nonrecurring for the time being?

Pankaj Patel: Yes, it is nonrecurring.

Alok Dalal: Okay. Thank you.

Moderator: Thank you for your question sir. We have next question from Mr. Jayesh from Morgan Stanley. Please go ahead Mr. Jayesh.

Jayesh: Good afternoon sir. Congratulations on great set of numbers, I think. Hello, can you hear me?

Pankaj Patel: Yeah.

Jayesh: Okay. Couple of questions; one is that while the US combination sales are growing are pretty robust we see some bit of slackness in the rest of the other geographies, is that something which is the quarter aberration or what would broadly be the target for formulation exports other than US and Indian markets for the full year?

Pankaj Patel: Actually it is only for the quarter. We don't see there is an issue at all. We expect that the overall growth will continue in other markets as well and we see a very good growth of formulation exports across the market.

Jayesh: Okay. The second question is regarding the licensing. We have of course got some licensing income as well. Do you expect deals like this to follow in the future I mean not immediately but over next 12 to 18 months?

Pankaj Patel: We expect some additional license income to come in future, however, we cannot give you a guidance when and what amount will come, but as and when they will come as per the policy we will immediately inform.

Jayesh: Fair enough, but there is scope for you to add other companies of global pharmaceutical majors in your supply base or in your distribution base?

Pankaj Patel: Our current agreement itself can provide us additional revenues and it is possible that we might do more of such things in future.

Jayesh: Wonderful and you said broadly you were looking at of billion dollars of sales and improvement of percentage in EBITDA margin, are you on track to achieve that?

Pankaj Patel: For the first quarter, we are on track.

Jayesh: Full year?

Pankaj Patel: Full year, we are on track as far as first quarter is concerned. So we expect for the full year, we are on track.

Jayesh: Wonderful. All the best sir.

Moderator: Thank you for your question sir. We have next question from Mr. Debanshu from VCK Limited. Please go ahead Mr. Debanshu.

Debanshu: Good afternoon sir. My first question is from the domestic formulation segment. Sir, what are the key therapeutic areas which is actually driving this growth?

Pankaj Patel: Cardiovascular and respiratory is driving the growth.

Debanshu: Sir, can you quantify this into number sir?

Pankaj Patel: We cannot give you the breakup as per the policy, but we can only give you this much information.

Debanshu: And sir what is the current sales force and how much doctors you are planning to coverage in the next fiscal?

Pankaj Patel: We have current field force of over 4000 people.

Debanshu: 4000?

Pankaj Patel: Yeah.

Debanshu: And sir how much doctors you are targeting to coverage in this fiscal?

Pankaj Patel: The total overall doctors numbers we govern are through this people is approximately 125000 doctors.

Debanshu: 125000, current doctors coverage sir?

Pankaj Patel: Yeah.

Debanshu: And how much you are targeting?

Pankaj Patel: We are targeting 125000, that is what I am telling.

Debanshu: And sir, current doctors coverage?

Pankaj Patel: The current doctors coverage is 125000. Till last year, it was something like 115000 or so. We added 10000 doctors more.

Debanshu: Last year sir, we had 110000?

Pankaj Patel: Yeah.

Debanshu: And sir one more thing. Any update on the new product launches in domestic and US?

Pankaj Patel: Just to mention that during the quarter as I mentioned already we have launched several new products and we will continue launching additional products during the next quarter. First quarter has seen 30 new products launched. We will still launch more new products in the coming quarter. US, we expect 8 to 10 products of the whole year. We have done 3, so we expect another 5 to 8 products to be launched during next quarters.

Debanshu: In US?

Pankaj Patel: Yeah.

Debanshu: And sir when on the last years this new product contributed how much to your total sales in domestic pharma segment.

Pankaj Patel: I will request Vishal to provide this information offline because I don't have the information in front of me.

Debanshu: Okay sir. Thanks.

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

Rahul Sharma: Yeah. I just wanted to know what type of tax you paid on the royalty payment on account of Abbott which you received.

Nitin Parekh: We don't pay tax on particular income. Tax is paid on the total profit of the company. But if you want to compute tax only on this income, then it is 19%.

Rahul Sharma: And are you confident of maintaining the current run rate in the domestic formulation sales?

Pankaj Patel: Yes.

Rahul Sharma: Even generic-generic have shown quite a good growth in the quarter. Have you got a new business head or anybody?

Pankaj Patel: We have same business team, but we have added some more products and hence we had a good growth.

Rahul Sharma: Okay. It will be solely driven by products introduction. What are the product introductions you are looking at in domestic formulations?

Pankaj Patel: In the domestic formulation, first quarter we launched 30. For the whole year, we are expecting to launch about 45 products.

Rahul Sharma: Okay and it will be mainly in CVS and respiratory.

Pankaj Patel: No in different segments, not only CVS and respiratory, but also the other segments.

Rahul Sharma: Okay. Thank you sir.

Moderator: Thank you for your question sir. We have next question from Surjit Pal from Elara Capital. Please go ahead sir.

Surjit Pal: Yeah. Thank you for taking my questions. The thing is that I need to know your profit figure in Hospira and Nycomed JV if you don't mind?

Pankaj Patel: Yeah, Vishal.

Vishal Gor: Yeah. The profit in Nycomed JV for the quarter one was Rs. 79 million and the profit in Hospira JV was Rs. 15 million.

Surjit Pal: Do you think going by your latest growth in US that your target of \$ 180 million, you can easily surpass, do you have any new numbers in mind?

Pankaj Patel: We will achieve our target.

Surjit Pal: But do you think you will surpass easily by the end of the year.

Pankaj Patel: Let us see. We don't want to comment on that. Currently our target remains at what we have given our guidance. Our run rate is better and hopefully we should continue better.

Surjit Pal: What is your latest status in WHO tender business in vaccine?

Pankaj Patel: We are not participating in the WHO tender.

Surjit Pal: But you are targeting because your Lyssavac was the only thing.

Pankaj Patel: That is WHO approval we have received and we are already exporting that vaccine and currently we are selling about 50000 dose a month and it is steadily going up.

Surjit Pal: Why do you think that will be a critical number going forward?

Pankaj Patel: We expect that over a period we should be able to stabilize the sale in institutional market at about a million doses per year.

Surjit Pal: And in revenue terms, how much you were expecting in the next one year or 2 year time down the line?

Pankaj Patel: I don't have the number in front of me, so I would not be able to give you specific number, but I can say that we expect to sell about a million dose of vaccines abroad in a short period.

Surjit Pal: Thank you.

Moderator: Thank you for your question sir. We have next question from Ms. Ashwini from Bajaj Allianz. Please go ahead ma'am.

Ashwini: Yeah, good evening sir. Hello, good evening.

Pankaj Patel: Good evening.

Ashwini: Yeah. Congratulations on a good set of numbers and I have two questions. First of all does the domestic formulation sales for this quarter include any sales from H1N1 vaccine and my second question why has the sales growth been muted in the Brazilian markets?

Pankaj Patel: Yes, the first quarter sales includes the small sale of H1N1 vaccine. The Brazilian sales are being lowered in the first quarter for couple of reasons. The first being that we had a one-time sale happened during same quarter last year which was not there this year and second is that we were expecting some product approvals from ANVISA which has got delayed, which is now in place and with that we should have no problem about growth in Brazilian markets.

Ashwini: Okay, okay. So, what was the amount of the one time institutional sales in first quarter FY10?

Pankaj Patel: It was approximately 700 thousands Brazilian Reais, which is approximately Rs. 17 million.

Ashwini: Okay, okay and what kind of run rate can we expect in the remaining 3 quarters of the Brazilian market?

Pankaj Patel: Overall, we expect the market to grow about 15%, so if you have the last year number, you can expect that we would have around 15% growth in Brazilian market for the whole year.

Ashwini: Okay. Sir, essentially the approval as we expected they have not come?

Pankaj Patel: Yeah, they have now come and we should not have a problem from coming quarters.

Ashwini: And how has been the pricing scenario in those markets?

Pankaj Patel: Pricing has been stable.

Ashwini: Okay and the first question that you said there is some amount of sales booked in the first quarter on the H1N1 vaccine, can you quantify that?

Nitin Parekh: The sales of H1N1 vaccine in first quarter was Rs. 9 million.

Ashwini: Rs. 9 million. Okay, okay, fine. Thanks a lot.

Moderator: Thank you for your question mam. We have next question from Ms. Joshi from Avendus. Ms. Joshi, please go ahead sir.

Monica Joshi: Hi, this is Monica, Ms. Monica Joshi. Just one quick clarification; on the other API sales you said that you are recording some revenues from Plavix that just on the sequential side, we have seen the huge growth. So, what is exactly driving those one, is it sustainable?

Pankaj Patel: Actually the API sales growth is driven by sales in the regulated market and particularly the Clopidogrel where we have unique opportunity and that is basically driving the growth.

Monica Joshi: Sir, would we see this 80 to 90 crores as quarter the run rate to be sustainable?

Pankaj Patel: We hope so.

Monica Joshi: Okay and just one update on Hospira, the number was quite muted. If you could give us sense of how many products are now operational and by the end of the year, what do you see that growing to?

Pankaj Patel: See, currently there are three products operational in the European market. We would expect US shipment to happen during next quarter this year and we would also add one more product within the year.

Monica Joshi: Sir, if it is to come again, three products are already operational.

Pankaj Patel: Three products are operational for European market. We expect these products to be operational in US in the third quarter and we also are expecting to launch one more product during the next quarter.

Monica Joshi: In Europe, I think.

Pankaj Patel: Yeah.

Monica Joshi: Okay. Thank you so much and wish you the best.

Moderator: Thank you for your question ma'am. We have next question from Ms. Rashmi from MK Global. Please go ahead ma'am.

Participant: Yeah. Hi. Good evening. First question about the domestic business Pankaj Bhai if you can put some light in the sense like quarter 4, we have been impacted by some of the VAT issue in 4 to 5 states. Has the reverse effect of this resulted into 17% growth or do you feel that this is sustainable basis?

Pankaj Patel: No, I believe that this is a sustainable possible going forward and as we mentioned, we will have 15% plus growth for the year and we don't see any reason that we should grow lower than that. Also we had several reasons I had explained before, but we don't have those reasons any more and we expect the growth to be robust even in the coming quarter.

Participant: Fair enough and the second thing about Abbott deal, when do we expect the product launches and when will the revenue start coming in?

Pankaj Patel: We expect in 12 months' time, the actual revenues will start kicking in once the product approvals in different markets are received. We can really see revenue numbers in next financial year.

Participant: These are especially like more of a revenue kind of basis.

Pankaj Patel: Yeah.

Participant: Okay, okay and the last question before I get into the queue about your NDDS based portfolio which we have been talking about Zydus Noveltch and Zydus Technologies when do probably the launch or approval coming-in, in terms of the US markets?

Pankaj Patel: Actually, filings will happen during this year and we expect approvals to happen in FY2013.

Participant: If you put some light in terms of this supposed to be a transdermal patches, how big will be the market and other leading players in terms of generic companies involved if it is possible?

Pankaj Patel: We do not have anything to give you at this moment. Closer to the market, we will speak about those opportunities.

Participant: Okay, thank you very much and wish you all the best.

Moderator: Thank you for your question sir. Sir, we have next question from Mr. Amit from Enam AMC. Please go ahead, Mr. Amit.

Amit: Yeah. Hi. Thanks for taking my question. Sir, I got disconnected for a while. I just want to know if 17% growth in the domestic formulation, should we consider as normal growth rate for the whole year?

Pankaj Patel: We expect that growth rate will be 15% plus for the year.

Amit: Okay and do you have any plan to add further med reps to your current sales force?

Pankaj Patel: No, currently this year we have completed our expansion and we don't plan to add additional field force.

Amit: Okay and sir if you could give me the CapEx number for this year and next year?

Pankaj Patel: Current year, we are expecting CapEx of Rs. 375 crores and next year, number should be similar.

Amit: And sir, the tax rate would be around.

Nitin Parekh: It would be less than MAT.

Amit: For current year.

Pankaj Patel: 15% is what we expect the tax rate.

Amit: Sorry, I couldn't hear you.

Pankaj Patel: 15% is what we expect that to be the tax rate.

Amit: Okay. Thank you. Thanks a lot.

Moderator: Thank you for your question sir. Sir, we have next question from Mr. Nimish Mehta from MP Advisors. Mr. Nimish, please go ahead sir.

Nikesh Mehta: Yeah. Thanks for taking my question. I know you have talked a lot about Hospira, but little surprised by the current quarter sales number given that it is the lowest in all the 5 quarters that we have seen. Although on a YOY basis, it has to be down because of the base effect but still it is down much more than expected. I wanted some color on that in terms of have you seen decline in volumes or price or anything of that sir?

Pankaj Patel: We don't see any of those kind of issues what were described. Actually, it is only a timing issue this quarter. Last year this quarter, we had exported almost like 3 products, and all the batches produced, including the exhibit batches were sold and that is the reason why we had significant sale in the first quarter, but we clearly see in the whole year, we are going to do much more than last year as far as the sales are concerned for Hospira. So, you will see one quarter there is some number here and there but overall we will be better than last year.

Nikesh Mehta: Any reason why the US FDA approval for the Hospira JV plant has been now delayed?

Pankaj Patel: It is not delayed. The plant is already approved by FDA and we are likely to launch the products, but there are some patent related issues which are getting over now and then we can launch.

Nikesh Mehta: Okay. My next question is regarding of settlement that you have struck with an innovator company for product Astelin. Can you throw some light about it as to when can it get launched in the US market?

Pankaj Patel: It depends up on the US FDA approval. If the US FDA approves it, the same is expected to be launched in last quarter this year.

Nikesh Mehta: Last quarter, okay. So, you will have any exclusivity or anything of that sir?

Pankaj Patel: I don't think we are going to be exclusive, but we might be semi-exclusive here.

Nikesh Mehta: I see. So, if you get an approval earlier than that then you can launch it then, is it true?

Pankaj Patel: Yeah. We expect the approval in the last quarter of this year or first quarter of next year.

Nikesh Mehta: I see. Okay. Thank you. You mentioned about the Nycomed JV profitability at Rs. 79 million that is

correct I just wanted, and Hospira JV at about Rs. 15 million, right?

Pankaj Patel: Right. Correct.

Nikesh Mehta: I see. Okay. Fine. Thank you very much.

Moderator: Thank you for your question sir. Sir, we have next question from Mr. Ramachandran from Primus Investment. Please go ahead sir.

Ramachandran: Hi. Sir, I just wanted some clarification on the Hospira part, if you adjust for currency, what would be the drop like?

Pankaj Patel: We don't see a currency issue here. It is mainly because of the fact that with the timing issue last year, we started in first quarter and we sold a lot. That is why you see a number doesn't look lower than the last year same quarter, but not much significant currency issues are here.

Vishal Gor: This is Vishal. See, there would be some currency impact, of course not material. However, like our Europe business suffered because of rupee appreciation and since we have all the exports from Hospira in Euro, so we would have some rupee appreciation effect here too. I don't have the exact number right now but I can provide you offline.

Ramachandran: Second is really on the US business profitability. Could you give a sense on that?

Pankaj Patel: We do not provide information on profitability of US business.

Ramachandran: And third is the R&D to sale this quarter?

Vishal Gor: Total R&D expenditure was Rs. 585 million.

Ramachandran: Finally with IFRS coming in, any material impact that you all visualize?

Nitin Parekh: No, we don't see any material impact on the reporting.

Ramachandran: Okay, fine. Thank you very much.

Moderator: Thank you for your question sir. Sir, we have next question from Mr. Balasubramaniam from PCS Securities. Please go ahead sir.

Balasubramaniam: Yeah. Thank you. Thank you for taking my call. See out of the H1N1 vaccine which you have sold in this quarter about Rs. 9 million. That is what you said right? So what is the institutional component and how much are you selling in the private or you selling in the private only?

Pankaj Patel: This is all private selling.

Balasubramaniam: Do you also wish to participate in some institutional tender because as the season is approaching winter, sales of this vaccine may go up through.

Pankaj Patel: No, we will participate in the tender when they will be floated.

Balasubramaniam: Okay. So could you just give me a ballpark figure of the pricing of this vaccine and dosage?

Pankaj Patel: The market price of this vaccine is Rs. 395 per dose.

Balasubramaniam: Okay, and the second question was the Anastrozole which you have launched in US and NATCO and Dr. Reddy and you three guys who launched it on the first day, what is the price erosion and how do you think will be landscape going forward?

Pankaj Patel: We are seeing the usual price erosion also in this product because more than one company launched in the day 1.

Balasubramaniam: So that could be what approximately.

Pankaj Patel: I don't have the number right now in front of me.

Balasubramaniam: Just a ballpark percentage.

Pankaj Patel: Currently, I don't have the number in front of me. So I won't be able to give you upon, but it is the usual price erosion we saw also in this product.

Balasubramaniam: Okay. What is the total market size of that drug and approximately.

Pankaj Patel: Sorry. I don't have specific product wise market details in front of me, but Vishal can give you offline.

Vishal Gor: Okay. I will mail to you, okay.

Balasubramaniam: Yeah. Thank you.

Pankaj Patel: Yeah. Thank you.

Moderator: Thank you for your question sir. We have next question from Jesal from JM Financial. Please go ahead.

Jesal: Yeah. Just one question on Tamsulosin. How would you describe the pricing scenario on that product with one more entrant in the market?

Pankaj Patel: Tamsulosin, again we saw the price competition, but it is a difficult to make product and as a result we expect that the competition to be limited in this product.

Jesal: Okay. Thank you.

Moderator: Thank you for your question sir. We have next question from Mr. Nimish Mehta from MP Advisors. Mr. Mehta, please go ahead sir.

Nikesh Mehta: Yeah. Thanks. Yeah, I am just coming to something on Clopidogrel API supply, have you seen increase in the tonnage and last time you mentioned about putting up a facility for this particular opportunity. Can you just let us know about what is the kind of volume off-take you have seen and whether the facility has been fully booked up or something in that.

Pankaj Patel: First of all, our new facility is fully commercialized and we are supplying only from the new facility. Yes, we saw some increase in the tonnage which was not very high, but was high. Currently we are utilizing approximately 80% of the capacities, so we have still 20% additional capacity available to supply.

Nikesh Mehta: I see. Did we have any Clopidogrel API supply in the last quarter FY10, in the last fiscal?

Pankaj Patel: Yes, we did supply the last quarter also.

Nikesh Mehta: So then that seems that there is substantial improvement in the pricing also that you are seeing?

Pankaj Patel: Pricing has remained on a lower side compared to last year, but tonnages gone up.

Nikesh Mehta: So the 74% YOY increase in the API is largely because of Clopidogrel.

Pankaj Patel: Not only Clopidogrel, but also happened in other API. So we had supplied other API through the different customers which are other than Clopidogrel, but Clopidogrel was major growth driver for the quarter.

Nikesh Mehta: Okay. How long do you expect this opportunity which is low competition opportunity for Clopidogrel to survive in the European market?

Pankaj Patel: We expect for next couple of years, but more we will know once the legal situations becomes more clear, but

for at least two years we see the opportunity.

Nikesh Mehta: Okay. When is the patent expiry in Europe for Plavix sir?

Pankaj Patel: Actually the original patent has expired and that is the reason why we have been able to launch a different salt of Clopidogrel.

Nikesh Mehta: Okay, fine. Thank you very much.

Moderator: Thank you for your question sir. We have next question from Mr. Rajesh from HDFC Mutual Fund. Please go ahead Mr. Rajesh.

Rajesh: Yeah. I had just one question. I believe Serum Institute launched competing H1N1 vaccine which is in the nasal form, so any comments from your side sir?

Pankaj Patel: Generally, we don't like to comment on competition. We believe that there is a lot of difference between the two technologies and obviously time will tell which is the better product. We believe our product is the better product than what is launched by Serum.

Rajesh: And is there any major difference in pricing if I were to look at it out on a per dose basis or something?

Pankaj Patel: No, no.

Rajesh: Because I believe all products have 395 and I think that product has been launched at 150 par doors or something like that?

Pankaj Patel: Actually, they are not comparable. They are also planning to launch injectable vaccine and then we will know what will be the prices because these two products are not comparable.

Rajesh: Anything you would like to highlight that.

Pankaj Patel: Specifically I would restrain from commenting on a particular product or particular competition product, but we know that technically the product is far superior to what they are selling in the market. Only time will tell which is better.

Rajesh: Okay, okay. Thank you very much.

Pankaj Patel: Fact remains that it is only available in Russia and no where else.

Rajesh: Okay, okay. Thank you very much.

Moderator: Thank you for your question sir. Sir we have next question from Mr. Alok Dalal from MF Global. Please go ahead sir.

Alok Dalal: Yeah. My questions have been answered. Thank you.

Moderator: Thank you sir. Sir, we have next question from Mr. Rahul Sharma from Karvy. Please go ahead sir.

Rahul Sharma: I just wanted to know any time line for when your deal with Abbott will start kicking in and the revenues will start coming?

Pankaj Patel: This has already clicked. That is why we received the money my dear friend. Commercial supply will start next year.

Rahul Sharma: Okay, but do you see any sizable revenue ramp up in this.

Pankaj Patel: This year, we don't expect revenue ramp up. Next year, we expect the revenue ramp up. It is too early for us to give you any specific numbers or guidance.

Rahul Sharma: I did not get you. What did you say sir.

Pankaj Patel: It is too early for us to give you any specific guidance, but we expect the commercial ramp up to start next financial year.

Rahul Sharma: Okay sir. Thank you.

Moderator: Thank you for your question sir. Sir, we have our last question from Mr. Rashmi from MK Global. Please go ahead sir.

Manoj: Yeah. Manoj here once again. See, in last quarter you have mentioned that the emerging market revenue was impacted because of some supply constraint in the production facilities, but even in this quarter there was a dip though there is sequential improvement in the revenue, but on YOY basis still there is a degrowth from even emerging market.

Pankaj Patel: Yeah, it mainly comes out of South Africa, but we expect going forward, we should be okay.

Manoj: Okay. We should see additional growth in these territories also.

Pankaj Patel: Yes.

Manoj: Okay. Thank you.

Moderator: Thank you for your question sir. Mr. Patel, there are no more question now.

Pankaj Patel: Okay, thank you very much and have a good evening.

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