

**“Cadila Healthcare Limited
Q1 11-12 Earnings Conference call”
(July 19, 2011)**

MODERATORS:

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY12 Results Conference Call of Cadila Healthcare Limited. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. This will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that the conference is being recorded. I would now like to hand over the conference to Dr. Ganesh Nayak, Executive Director, Cadila Healthcare Limited. Thank you. And over to you, sir.

Dr. Ganesh Nayak: Good afternoon and welcome to our first quarter FY 2011-12 post results teleconference. I am joined by Mr. Pankaj Patel, Chairman and Managing Director, Dr. Sharvil Patel, Deputy Managing Director, Mr. Nitin Parekh, CFO and Mr. Vishal Gor, General Manager, Investor Relations.

First of all, let me take you through the highlights of the operations for the quarter. During the quarter, we launched several new products including line extensions in the Indian formulations market of which 6 were for the first time in India. Zydus Pharma, a JV with Bayer Schering commenced commercial operations in India. In the US, we launched 3 new products. Our business in Europe posted sales of Rs. 769 million which was up by 22%. In Brazil, we recorded sales of Rs. 470 million with a growth of 21%, both branded and generic businesses contributed to this performance.

Our business in Japan grew by 29% and posted a sale of Rs. 112 million. We received an approval from the FDA for the investigational new drug application of ZYGK1, designed and developed at the Zydus Research Center, this entity is a potent and orally administered small molecule, glucokinase activator. Besides, four new products were filed for the EU market taking our cumulative filings to 120. Zydus Pharmaceuticals USA, through its subsidiary Zydus US Pharmaceuticals entered into an agreement to acquire the assets of the US-based pharmaceutical company Nesho Pharmaceuticals. The agreement encompasses the acquisition of Nesho's assets and assumption of certain pipeline ANDAs, certain manufacturing facilities and a full-fledged research and development lab. It also includes considerable expertise in niche therapies which have development or production barriers, such as controlled substances or DEA-controlled substances. This will enable us to enter the US\$7 billion generic controlled substances market of United States as these products cannot be imported into the United States. Through this acquisition we will build a strong product pipeline, expertise and infrastructure that will add value to our operations in the US.

Now, let me take you through the broad financial highlights. During the quarter, on a consolidated basis, revenue grew by 11.3% to Rs. 11,889 million from Rs. 10,682 million last year. Moreover, during the quarter we also received licensing fees of Rs. 446 million from Abbott as against Rs. 474 million received in Q1 last year. Our EBITDA was Rs. 3,024 million from Rs. 2,974 million last year. Profit before tax was up by 11% to Rs. 2,628 million from Rs. 2,371 million last year. Our PBT margin as a percentage to the total operating income was up by 0.2% to 21.1% from 20.9% last year. The net profit was up by 15% to Rs. 2,298 million from Rs. 1,992 million last year and in line with the market expectations.

15% to 11.22 per share from Rs. 9.73 last year. However, the net profit excluding the dossier licensing is million which is up by 19%. Thank you. And we shall now start the Q&A session. Over to the co-ordinator and answers.

Moderator: Thank you. The first question is from the line of Monica Joshi from Avendus Securities. Please

Monica Joshi: My first question is on the domestic business. If you could first give us a breakdown of portfolio and the generic side? And to be more specific what is the reason that the growth has slowed down to 9%? Did the venture got anything to do with this, so that is the first question. And secondly if you could just update us on the letter that you received a couple of weeks back. And what is the course of action that the company will take? Essentially what really went wrong? Thanks.

Pankaj Patel: I think the domestic market, the growth for the quarter looks lower compared to that report. But you must remember that last quarter, we had a significant growth, almost 23% in the domestic market. We had an important target to be achieved, I think our field force and sales teams went overboard to really achieve that number. So if you look at first six months sales, the growth of domestic formulations comes to around 14% excluding the Bayer JV, which is now considered as a separate JV. So we do not see any kind of problem. We have grown by about 9% this quarter and we clearly see that going forward we will maintain our growth for the whole year.

Monica Joshi: Sir, if I get you that is the 15% excluding Bayer JV, is it?

Pankaj Patel: Correct.

Monica Joshi: So what is the portfolio that has been transferred to the Bayer joint venture?

Pankaj Patel: The earlier portfolio which was there from the Schering has been transferred to JV and I do not have a number but I would request Vishal to basically share with you further details. Coming to the next question about the warning letter from US FDA, we, as a company have taken this very seriously though this was an inspection of our injectable facility. Currently, we do not sell in US any injectable product nor we have a product yet approved for the US market. It is a new paradigm that FDA has issued us a warning letter for a pre-approval. Whatever FDA has done we are addressing that in the direct and earnest manner. We have already addressed the warning letter suitably. We are taking the help of consultants where it is required. The next step would be to receive our response, they would revert back to us. Hopefully in the future, they will call us for face-to-face meeting we should be able to resolve this. I cannot give you any specific guidance. The FDA usually takes about 6 months to issue a warning letter as per the general stipulation given the work load with FDA. This is not compulsory so it is not that. Our estimate at this stage would be at least nine months. But again, it is very difficult to predict because our current business does not get affected but our future is getting affected because that is where our future injectable business and all that, so we hope to resolve that as soon as possible. The issues are only around the products which have received the warning letter, The letter clearly talks about sterile products. Currently we do not have any sterile products, why we do not see a severe repercussion going forward for that, but it is unfortunate this has happened to our company has taken a very serious note of it and we are addressing this with utmost priority. In fact, I am personally ensuring that everything is done right.

Monica Doshi: Right, that is nice to know also because it is the same unit where you currently are supplying formulations from. You are fairly certain that there were no 483s or any sort of adverse comments being issued or transitory inspected at this time?

Pankaj Patel: No, in fact, the inspection was for three dosage forms - oral, nasal and sterile. The 483s were only on the sterile products and even out of those they have accepted few and only a couple of them were

letter.

Monica Doshi: Fair enough. Just going on the domestic business, if I really take a 15% growth are you looking at 100 crores quarterly business which were transferred to Bayer, is this number... ?

Pankaj Patel: I do not have the number in front of me. So I cannot give you exact number. As I told you, he would share the information with you.

Monica Doshi: Thank you sir. I will get back in the queue, thanks.

Moderator: Thank you. The next question is from the line of Jesal Shah from JM Financial. Please go ahead.

Jesal Shah: Just a couple if I may. If you can just give us a break-up of the JV sales. And second, if you can share your thoughts on the US business which has seen a decline during this quarter on a sequential basis. So how is the growth for the full year and what is the outlook in terms of the product approvals in that market?

Pankaj Patel: I will address the US issue first. The US business, again I would say that we had this health check. We had obviously some additional sales happened in the last quarter, and our growth was very high during the last quarter. If you look at first six months, the growth in US market also, then it is 27%. With respect to JV we have been a bit cautious as our partners not to share details and that is why we have put all the JVs together. I would not like to disclose details as our partner has advised not to disclose information. That is why unfortunately we are unable to give you the details. Jesal Shah: Right. So just to confirm, you said US business is tracking your full year budget, so this time it is growing at about 12% in dollar terms.

Pankaj Patel: Yes.

Pankaj Patel: Last quarter the growth in dollar terms was 12%, in rupee terms, it was 7.4%, if you take from January to June 2011, the US business grew by 27% and we do not see any problem in maintaining growth. Jesal Shah: Should one look in like 20% range or like?

Pankaj Patel: Yeah.

Jesal Shah: Okay. And just lastly, on the Wellness bit, if you can share with us thoughts on, is it also the US business that is impacting growth there?

Dr. Ganesh Nayak: Yes to some extent but not that much. I think there are several factors for what we see in the quarter as far as Wellness business is concerned. I think during the quarter we took several steps. First, all, we reduced the stockists' and distributors' margin by 1%. Obviously, that resulted in stock reduction. So to some extent sales got affected. In our Nutrilite manufacturing facility, there was a breakdown in the production. As a result we could not supply the product for two weeks during the quarter. We also took some price increase. Some initial reactions we have seen in the market for that price at current stage, but we do not see it as a problem. That is where we see a muted growth as far as Zydus Wellness business is concerned.

Jesal Shah: Okay, thank you.

Moderator: Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management.

Jiten Doshi: I would just want to reiterate that the management has spelled their vision for going from \$1 billion to \$10 billion by 2015, is that right?

Pankaj Patel: Right.

Jiten Doshi: To attain your vision I think you will have to grow the company by about 25% every year for the next five years.

years. So in any one year if your profit is below 25%, that means in the next year if I have to make up by 30% or numbers like that, I would just like to know how are you planning to grow? That is even growth at a very high growth in particular year?

Pankaj Patel: I think it is not going to be exactly even. We see some years where growth will be higher and some years growth will not be so high. But I think it is going to be range-bound between 20-30%, so some year we will be growing at 20%, some year we will be growing at 30%, depending upon what product we launch at what time particular market like US.

Jiten Doshi: So basically, can we say this is the year in which you are more looking like a 20% growth in growth?

Pankaj Patel: Yeah, I think so.

Jiten Doshi: Okay. And then you are saying that year after that would be a very high growth rate year?

Pankaj Patel: Yes.

Jiten Doshi: Okay. And can you throw more light on the French subsidiary? What are your plans out there?

Pankaj Patel: French subsidiary continues to grow. As I mentioned in earlier call that we are extending it further. Currently, we are covering about 70% of the market, and we are trying to increase it to 90%. Act gradually the basket is expanding so that we can cover 90% of the market. Second, we have initiated a lot from India which are now coming for approvals and supply so that is basically going to improve the market working with new distributors on aggressive terms and we have developed relationship with several distributors this would help us going forward adding customers and increasing business. So overall, we see French business growing and as you know that we are among top ten generic companies in France, we are the fastest growing company, we will continue maintaining that and we will ensure that going forward also we will have the more customers and so we continue growing in the French business.

Jiten Doshi: Can you throw some light on what are you expecting, what are your projections for this current the Hospira JV? Are you looking at adding any more JVs like Hospira in the current year?

Pankaj Patel: I mentioned in an earlier question that we are unable to provide any specific information for what our partners have advised us. So I am unable to give that information. We are definitely looking for Jiten Doshi: We can expect....?

Pankaj Patel: I cannot say when it will happen.

Jiten Doshi: Okay, fine, thank you sir.

Moderator: Thank you. The next question is from the line of Nimish Desai from Motilal Oswal Securities ahead.

Nimish Desai: One is related to your comments that for achieving the \$1 billion target there might have been sales booked in previous quarter. Now, just wanted to know whether that would impact only your first quarter numbers which is visible or it will impact your numbers for further quarters also?

Pankaj Patel: It will not impact the next quarter.

Nimish Desai: It will not impact? Okay. And the other thing that we wanted to know was this Nishar account whatever details are available it seems like a loss making company, so if you can throw some light on that

from Nesher in the current year? Because I think post-September it will get consolidated with your numbers. Can you throw some light, how do you expect the top-line to be for Nesher and specifically whether how you control the losses?

Pankaj Patel: Nesher currently has one product in the market. We have bought only the assets and we have liabilities. So what we are buying only its assets including the product registration dossiers and FDA approval for market presence. We have manufacturing facility as a result of that in US, which gives us advantage as far as FDA is concerned. We expect this year Nesher should contribute about \$30 million in sales and that would not be a loss for this company as we see going forward.

Nimish Desai: Okay. Because Nesher published numbers for the year ended March 2011 it shows a very small loss....

Pankaj Patel: Agreed. That is basically coming from the fact that they have the liabilities, they have FDA approval and they had a huge impairment loss during the quarter that they booked in their accounts. Since we are buying only assets, we are buying only assets; we do not see any impairment risk or any other risk.

Nimish Desai: Okay. So what you are saying is \$30 million top-line and maybe significant reduction in loss.

Pankaj Patel: Very small loss.

Nimish Desai: And just extending this further, how would you want us to view this acquisition going into the future?

Pankaj Patel: I see the acquisition from two, three point of view. Number one, Nesher had certain products in the market which were withdrawn because of the FDA action. First product that has been approved, the product registration process moves, we will have more products to come in the market. If you see the current market can take about \$100 million sales over the next three years and the business should be profitable next year. Obviously, we will move forward and increase the existing product basket plus it is a unique opportunity getting into the substance area which we cannot do it from India.

Nimish Desai: Right. You will have to do it locally?

Pankaj Patel: This acquisition gives us two advantages. One, strategic in nature, strategically from two points of view. We have a US manufacturing site as a result of this, which can give us an opportunity to get into US government contracts. Second is we will get into the controlled release drugs market, which is an interesting market. I think if you have specialized products, there is good margins also in this business.

Nimish Desai: Okay and last question was on your consumer business. The first quarter shows single-digit growth. Can you explain some reasons for it. But what would be the outlook for the full year? What can you expect?

Pankaj Patel: We expect for the current year the consumer business should grow anywhere between 15-20%.

Nimish Desai: Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Manoj Garg from Edelweiss. Please go ahead.

Manoj: Hi, good evening, this is Manoj. Sir, just wanted to understand about Bayer JV. Like if you can tell me in terms of how many number of people in the JV and what could be the current revenue size of the JV?

Pankaj Patel: As far as JV is concerned, it has its own field force and they have in total about 500 plus employees. It has basically been divided into several sales forces in the JV. As far as the revenue numbers, we cannot provide the numbers for the current quarter. Hopefully next quarter onwards we should be able to provide. Because we just began the JV in the month of September.

early for us to give you some numbers but next quarter onwards we should be able to give you some idea number is about 500, but going forward it will go up to 800.

Manoj: Okay. And in terms of manufacturing, where the manufacturing lies? Is it –

Pankaj Patel: The manufacturing is done at Zydus.

Manoj: Okay. The second thing like we have got an incremental milestone payment from Abbott deal. Is expanded the scope of the deal in terms of number of products and number of markets?

Pankaj Patel: Yeah, we have added few products and that has basically yielded into additional revenue.

Pankaj Patel: Next year we should start seeing the revenues coming.

Manoj: And the third thing like in order to attain the \$3 billion goal which we have envisaged in 2015, 21 facility which has received a warning letter, do we expect because of that there could be some contraction feel that still the goal is very much achievable?

Pankaj Patel: I think the goal is very much achievable because we as a company do not depend on one product or one market or anything. We have a wide range of portfolio and some problem somewhere may not impact company's performance. And you could see that in every quarter if you see our quarter-on-quarter we have positive growth of bottom-line and that has happened because it is somewhere we are outstanding, some problem, but overall as an organization we are in a good health. That will continue. So I do not see that going forward.

Manoj: Fair enough, sir. And sir, can we also understand about the tax guidance provision for this year, for the quarter we have provided 10.5% kind of tax?

Pankaj Patel: Overall, it will be around 15% for the year as whole.

Manoj: On a consolidated level?

Pankaj Patel: Yes.

Manoj: Okay. And have you booked any ForEx gain during the quarter?

Pankaj Patel: We have gain of Rs 92 million.

Manoj: Okay, which lies in the interest income, interest expense line item?

Pankaj Patel: No, it lies in the operating income.

Manoj: Okay. And how about that interest cost, was it net of ForEx gain?

Pankaj Patel: Yes.

Manoj: And what was the ForEx gain element in interest expense also?

Pankaj Patel: It was Rs. 77 million.

Manoj: Okay. That is all from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Bino Pathiparampil from IIFL. Please go ahead.
Bino Pathiparampil: Hi, just wanted to check, looking at the first quarter numbers, the target of 15% growth in business and 20% plus growth for the North American business, looks increasingly difficult because you are in the next quarters for the lower growth of this quarter as well? So what gives you confidence that these numbers will be much better?

Pankaj Patel: First of all, as I told you, these are one off things which has happened only for this quarter, and the growth are already high. If we look at domestic market, for first six months, our growth is around 20%. If we look at the growth of US business it is in excess of 20%. Going forward, we have a clear visibility with the new products we are launching. We are very sure that we would be able to achieve the number for the full year.

Bino Pathiparampil: Okay. Last quarter in the US when you had a high revenue of \$63 million. You had a decline which came in from competitor as you gained the market share. You said most of those contracts were expired, then why has this sequential decline happened....

Pankaj Patel: Yeah, some additional supply happened in the last quarter which did not get supplied in this quarter. People bought additional quantities in the last quarter so this quarter they did not buy in large volumes. We have not lost those businesses.

Bino Pathiparampil: Okay, right. And finally, tax rate for the quarter was relatively low. What tax rate are you at for the full year?

Pankaj Patel: Around 15% on a consolidated basis for the entire year.

Bino Pathiparampil: Entire year. Yeah. And just could you clarify the ForEx numbers which you gave, were they included, 92 million is included in?

Pankaj Patel: They are included as part of operating income.

Bino Pathiparampil: Other operating income? Okay. And 77 million is interest cost.

Pankaj Patel: Yes.

Bino Pathiparampil: Okay. Anything in other income?

Pankaj Patel: No it is all included in the other operating income.

Bino Pathiparampil: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Yeah, hi. Just wanted more color on US, especially with reference to the market share gap in products like Aricept, ODT and all. How is the traction there, like are we gaining more market share in the US? Because I think the competition is pretty low in that molecule.

Pankaj Patel: Yes, we are getting more market share in these products. I do not want to give you a specific details, but we are seeing further more demand coming from the market, I guess, we see a good opportunity to consolidate the business in the US market.

Girish Bakhru: So if I have to just like put a number currently, if I have to see around from \$250 million to \$3 billion, how much of US can it go to if we are looking at \$3 billion overall guidance in 2015? If you can give a ballpark figure.

Dr. Ganesh Nayak: Early to give you a specific number for \$3 billion. Currently very detailed exercise is

organization, we expect that to be over by around October timeframe, then we would have clarity on exa will contribute to the \$3 billion number. We have broad numbers, but I think it will not be wise to give y since work is in progress.

Girish Bakhru: But would it be fair to say like incremental \$40 million per year can be achievable?

Pankaj Patel: More than that.

Girish Bakhru: Okay. That helps. Secondly, on the annual report I just had a question on the legal expens doubled in FY '11 and considering we have a warning letter to resolve also now so would it increase fro led to that high jump in legal expenses?

Pankaj Patel: First of all, I think the warning letter would not have any significant legal expenses involve of basically technically addressing the issue. So this is there and they are professional fee, we hired some of the \$3 billion project which we are doing now. We call it "Beyond the Billion" project in the organiza hired some consulting firms to help us in this area and that is why you see very high professional charges legal but professional charges paid to consultant.

Girish Bakhru: And lastly, on the Abbott contribution, will it be initially the India market or the other en will start contributing from next fiscal?

Pankaj Patel: Other than India market, only emerging markets not India.

Girish Bakhru: Okay, all right. Okay, thank you, that helps.

Moderator: Thank you. The next question is from the line of Koushik Pal from Kotak Mutual Fund.

Koushik Pal: If you can share the branded formulations growth for the quarter, the generic brand and bra available.

Pankaj Patel: We have not been sharing this information off late, but they are almost same, that is all I ca

Koushik Pal: Okay. And secondly, just on the US FDA warning letter, almost about 25% if I am not wro pipeline is from this facility from injectables. So just wanted to understand that if the resolution of this p more than a year, does it in any way affect our current business plan, whatever we had before the warnin any material way?

Pankaj Patel: First of all, I think it is not correct to say that injectable is 25% of a pending portfolio. Curr significantly small portfolio. As I mentioned, our revenue from injectable business is nil at this moment ; any product approved.

Koushik Pal: No, I was actually referring to the pipeline, not to...

Pankaj Patel: As far as pipeline is concerned, if we cannot resolve this problem, it will have negative imp for sure. But we do not see that is the reason. I would say that we should be able to address this issue. W help from the US consultants to make sure that we have done the right things to address it and hopefully convince FDA. If we cannot resolve the issue then obviously we would have impact.

Koushik Pal: No, I was more asking that, what I understand from our earlier conversation is that majority were anyway going to probably come towards the FY '14. I am saying in case the resolution takes slight current nine months sort of expected, does any of the products which you had planned to launch in FY '1 get push back because of the delay or as soon as they know the --

Pankaj Patel: I would only give you some information which should help you to understand that. See, we warning letter and that is what we are addressing. That would consequently give us a final approval of o manufacturing of injectables. FDA has advised their internal body OGD which is to basically continue re applications. So they are continuously reviewing it. When the warning letter problems are resolved, we v We might get approvals in a block at that moment. Koushik Pal: Understood, understood, that is very hel Moderator: Thank you. The next question is from the line of Nimish Mehta from MP Advisors. Please g

Nimish Mehta: One, can you tell us the fate of the product Azlestin in US? I understand that it was expected there might be some low competition opportunity, is it still on?

Pankaj Patel: The low competition opportunity still exists but we still don't have the approval.

Nimish Mehta: I see. Any guideline which you can pass on?

Pankaj Patel: I cannot give you guideline because after the warning letter I do not want to give you guidance on FDA and understand everything. It would be unfair on my part to give you a guideline. Once we meet FDA their next steps, we would be able to clearly give you a guideline.

Nimish Mehta: Okay, fine. Second is about the Altana JV, where we had seen an expansion of the JV to looking at the API sales this quarter, is it fair to assume that the expanded API sales are not yet rising --?

Pankaj Patel: It has not begun yet.

Nimish Mehta: Yeah, so when do you start expecting that?

Pankaj Patel: Well, maybe next quarter onwards we should start seeing it. That company is under acquisition, we know about the future course of action by them. We will have more clarity about it only maybe within next quarter when the acquisition is fully absorbed by the Japanese company.

Nimish Mehta: Okay, fine. And on Hospira, you are not sharing any details, but have you added any products this quarter or it is the same number of products that you have?

Pankaj Patel: We have not added products.

Nimish Mehta: You have not added? Okay. And finally, I missed the number of Abbott fees or the fees from Hospira, was that for this quarter?

Pankaj Patel: Rs. 446 million.

Nimish Mehta: Rs. 446 million. Okay, thank you very much.

Moderator: Thank you. The next question is from the line of Ravi Agarwal from Standard Chartered. Please.

Ravi Agarwal: The first thing is, if I actually look at the business on a like-to-like basis excluding the impact of the acquisition which you have received from Abbott, the numbers actually seem to suggest YoY decline at a margin level despite presumably a fairly decent contribution coming in through the Hospira JV in the quarter. Just on a like-to-like basis if you look at it sequentially going forward when these Abbott numbers will not come into the operation, it is going to be some impact in terms of our margins for on a YoY basis for the full year?

Pankaj Patel: It is mainly because of the fact that while we had lower sales growth, our operating expenses were at a normal rate. As you would understand that all the expenses are not linked to sales and hence do not vary as fluctuations in sales. This has resulted into reduction in margins. But that I do not see as an issue going forward, it is clear that going forward the growth will pick up and as a result we will see margin expansion.

Ravi Agarwal: Okay. The second thing is just on the US guidance. You mentioned 20%. Does it include the acquisition of 30 million?

Pankaj Patel: No.

Ravi Agarwal: So this is excluding that? Third thing just on R&D if I could get the number for the quarter there in the excel sheet.

Pankaj Patel: R&D expenses for the quarter have been Rs. 785 million.

Ravi Agarwal: 785 million for the P&L?

Pankaj Patel: Yeah.

Ravi Agarwal: Okay, thanks.

Moderator: Thank you. The next question is from the line of Alok Dalal from BNP Paribas. Please go ahead.

Alok Dalal: Sir, any thoughts on the decline in emerging market sales? Sales were down by 18%. Any reason for that?

Pankaj Patel: Yes, for the quarter, sales in emerging markets is also low. However, if you look at six months, it is better.

Alok Dalal: Okay. And what is the gross debt on books?

Vishal Gor: Gross debt on books is Rs. 12810 million.

Alok Dalal: And cash?

Vishal Gor: Rs. 3344 million.

Alok Dalal: Okay, thank you.

Moderator: Thank you. The next question is from the line of Surjit Pal from Elara Capital. Please go ahead.

Surjit Pal: I just wanted to know about the update in your vaccine JV. Since you have mentioned that you have additional investment, when could you see some significant or critical revenue going forward, and any significant change of business?

Pankaj Patel: We do not have a vaccine JV. We have initiated our vaccine research center. We have a pipeline of vaccines under the advanced stage of development. They are likely to be on the market in 2013, 2014 timeline. At the moment, I cannot give you more details than that. But this is to tell you that we have an ambitious program to construct a manufacturing facility now and we expect the product on the market between 2013, 2014 timeline.

Surjit Pal: Okay. So basically you are targeting Indian market or export?

Pankaj Patel: Initially, the Indian market and then move to export. Currently, we are exporting only one anti-rabies vaccine. But once we launch in India after certain experience only we are allowed to export outside India as per WHO stipulation. Our ultimate goal is to go to global market.

Surjit Pal: All right. So what are the areas of vaccine you are targeting, say something like meningitis or cholera?

Dr. Ganesh Nayak: We are looking at vaccine quite comprehensively. We are looking at some of the advanced area of cancer, cervical cancer and in the area of malaria. So we will be looking at a full basket of vaccines approximately nine different vaccines on which we are working and developing them. Fortunately, because of the company which already has access to strains and technology for this.

Surjit Pal: You are talking about Berna Biotech?

Dr. Ganesh Nayak: Yes.

Surjit Pal: Yeah, so basically the technology platform was taken from the acquisition?

Dr. Ganesh Nayak: Yeah, the strains we got from all acquisition.

Surjit Pal: Thanks for that.

Moderator: Thank you. The next question is from the line of Preeti Arora from Kotak Institutional Equity

Preeti Arora: I just wanted to clarify the Nesher sales growth guidance you have given \$30 million. This is for current products or are you expecting more product approvals?

Pankaj Patel: This is annually we are expecting from the current product.

Preeti Arora: Current product. Okay. And what about new product approvals? I mean, Nesher has said that so by mid-year. So what are your thoughts on that?

Pankaj Patel: Our process of acquisition is not complete. It would be completed early next month. Once it is then we will be able to give you more data and more color on that because once we go into day-to-day management we can exactly tell you when we will have approval. But we do expect as we are being told by Nesher management there should be a product approval coming next year.

Preeti Arora: Okay. And on the Hospira JV for US, currently, you are supplying one product. When do you expect more products coming in?

Pankaj Patel: I cannot give you for Hospira JV any information because we have been specifically told not to. Preeti Arora: Okay. But I mean, basically, as we understand there are three products lined up for the US. One has been launched. Is that correct?

Pankaj Patel: Correct.

Preeti Arora: And so the other two, I mean, broadly they should come in, in FY12, FY13, correct?

Pankaj Patel: I do not know.

Preeti Arora: Okay, fair enough. And the other thing is EU has done well. So is that a low base effect because the business had not grown at the healthy rate last year or more product approvals, what is your outlook for India?

Pankaj Patel: If you remember, during last call also, we mentioned that in EU we have taken several actions and they are showing results. Market is competitive, so we have to be careful about this market. At the same time, all our efforts to basically do better than the market and we are able to get those results. Also, we do not want to see which we saw in US and Indian market, i.e. due to the enthusiasm of healthy(44:55) billion number achieving

done higher sales in the last quarter which did not happen in the EU so we are seeing balanced growth.

Preeti Arora: Okay. But overall you do not hope to achieve higher than the growth rates you did last year price cuts in the market?

Pankaj Patel: No.

Preeti Arora: Okay, good, thank you.

Moderator: Thank you. The next question is from the line of Jeevan Patwa from Axis Holdings. Please go
Jeevan Patwa: Before asking the question just wanted to clarify, is it the right platform to ask question at

Pankaj Patel: Sure.

Jeevan Patwa: Okay. Just two questions on Zydus Wellness. One, I wanted to understand how is the resp
launch of ActiLife?

Pankaj Patel: The ActiLife is in the market now for about two months and the initial response is very enc
too short a period to give you a final conclusion. We are seeing repeat sales, good numbers, maybe we w
it in the next quarter.

Jeevan Patwa: And secondly, I can see that the marketing expenses have actually gone down this quarter
last quarter of previous year. So what was the reason for that? It has actually gone down from 30 crores t
so.

Pankaj Patel: I think it is a timing issue only.

Jeevan Patwa: Was it not the management decision to cut down on the advertising?

Pankaj Patel: No. We have a budget and we are trying to follow the budget.

Jeevan Patwa: How much is your budget for the year?

Pankaj Patel: As I mentioned, we were going to grow the business between 15-20% for the whole year.

Jeevan Patwa: But this quarter, I can see the sales have not been too good in terms of....

Pankaj Patel: We should see the acceleration happening in the next quarter onwards.

Jeevan Patwa: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Krishna Kiran from ICICI Direct. Please go

Krishna Kiran: Just one with Wellness, for FY14, are we on a track to achieve 500 crores top-line?

Pankaj Patel: Yes.

Krishna Kiran: Okay, fine, thanks, that is it.

Moderator: Thank you. The next question is from the line of Hitesh Mahida from Marwadi Shares & Finance ahead.

Hitesh Mahida: Why has the employee cost and other expenses gone up YoY significantly? And secondly plus growth domestically, are we including Bayer JV or are we excluding Bayer JV in that?

Vishal Gor: See, employee cost has grown by about 24% now if you compare the growth in staff cost with the course it is higher. But it is basically the sales growth which is lower otherwise, if you see last few quarters have been in that range only. We have added people in the domestic and other areas, so this growth was expected. Expenditures are concerned there the growth has been at 10% and major growth has been because of R&D. If we exclude this then the growth would have been about 8%.

Hitesh Mahida: Okay. And when you give your guidance of 15% growth domestically are we including or excluding Bayer JV?

Pankaj Patel: Excluding Bayer JV.

Hitesh Mahida: Excluding JV. And is it fair to say that majority of the JV sales, say 80-85% have come from India?

Pankaj Patel: That we cannot say. Indirectly, we cannot answer that. We have been told by our partner no information.

Hitesh Mahida: Okay, thanks.

Moderator: Thank you. The next question is from the line of Mayank Kayanki from Birla Sun Life Asset Management ahead.

Mayank Kayanki: Hello, sir. Just some additional questions on the Wellness front. You spoke about a price hike. Can you quantify it please, the price hike?

Pankaj Patel: About 15% is what the price hike we have taken.

Mayank Kayanki: Okay. And obviously continuing with that margin reduction on the dealers and distributors.

Pankaj Patel: We are continuing with the margin reduction, because we know that one-time we have to take a price cut but I think as we move forward we need to do changes to stay in line with the market.

Mayank Kayanki: Right. And the plant breakdown which we had seen for Nutrilite, has it now recovered?

Pankaj Patel: It has been fully recovered and addressed and also we have taken some corrective actions so that it does not recur.

Mayank Kayanki: Okay. Going forward, any plans for new launches under the Wellness platform?

Pankaj Patel: Under the Wellness platform, we have plans but this year I think we are going to basically launch and are not going to do a significant launch of any other product this year. But may be from next year we will see further launches.

Mayank Kayanki: And ActiLife has been a nationwide launch or is it specific....

Pankaj Patel: We actually test marketed in the South for the first few months before we rolled out it nationwide.

Mayank Kayanki: Okay, great, thanks. And can you please share your CapEx numbers for FY12 and 2013?

Dr. Ganesh Nayak: It is around 450 crores.

Mayank Kayanki: Okay. But any major additions, Greenfield additions?

Pankaj Patel: Yeah, we are building facilities to manufacture biosimilar particularly monoclonals and vaccines. We are adding additional capacity in manufacturing of products for the international markets. So we are creating a manufacturing facility in formulation area and also in biosimilars and vaccines.

Mayank Kayanki: So these will be commissioned probably two years from now on?

Pankaj Patel: Next year.

Mayank Kayanki: Next year. Okay. Great. That is it. Thank you.

Moderator: Thank you. The next question is from the line of Gnanasundaram S from Spark Capital. Please.

Gnanasundaram S: My first question is regarding the Sikkim plant. We saw from the report regarding Zydiscadila that the Sikkim plant is completely functional. And which are the products which are coming out of Sikkim?

Pankaj Patel: Sikkim plant has become operational this quarter, we do not see much of the sales happening because it just became operational during the quarter, but next quarter onwards, this will be operations on. Both Sugar Free and EverYuth brands are produced there now.

Gnanasundaram S: Okay, sir. So, there would be no more third-party manufacturing?

Pankaj Patel: Very limited, I would say.

Gnanasundaram S: Okay. And can we expect to see the tax benefits flowing in from the next quarter, sir, we did expect the tax benefits, but.....

Pankaj Patel: Because this quarter there is not much sales coming from Sikkim so there is no benefit. From next quarter onwards, we will start seeing the benefits.

Gnanasundaram S: Sir, and if there is not much of production from second quarter how did you manage to see a material benefit out here in this quarter. I think it is about only 36% compared to 41% which we had in the first quarter.

Pankaj Patel: Sikkim, the manufacturing has started. I am not saying it has not started and we also have sales from Sikkim. So we will see the real impact of that in the next quarter. This quarter we have not seen sales, so why we do not see impact on the quarter, we will be seeing some impact on the material cost but of course expenditure booked for running the plant because though we are not selling we are already running the plant.

Gnanasundaram S: Okay. Sir, and one more, regarding our palm oil, can you give us any outlook, sir?

Pankaj Patel: Well, the price has gone up and now it is stabilizing, so there is a small decline. We see that stable at this stage, not seeing much degrowth in price, but it is stabilizing now.

Gnanasundaram S: Regarding Sugar Free, did we see any volume slow down in this quarter, sir?

Pankaj Patel: No, we did not see volume slow down.

Gnanasundaram S: You did not see a volume slow down with Sugar Free. And regarding EverYuth, how is it, sir? Because we see Unilever coming into the space recently and launching in similar price platforms as well.

see the impact of Unilever entering into the scenario, sir?

Pankaj Patel: Well, we see impact on one of the SKU from Unilever, other SKU from another competing Johnson. We see that they have been spending a lot on market at this moment, but I think when there is a thing you see. Our brands are very well established, we clearly see, going forward, we will be able to reg place to regain that once they will run out of money.

Gnanasundaram S: Oh yes, sir. And what are the growth rates which you are seeing for these categories, scrubs?

Pankaj Patel: Every category is growing at a different growth rate, but we see a growth rate in the market 20-40% for each category. We see a competition in face wash and scrub area from Unilever and Johnson forward, we have some action plans in place, basically to take care of it.

Gnanasundaram S: Okay, sir, thanks a lot for taking the call, sir, and all the best, sir.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please

Nitin Agarwal: One is, I just want to confirm, you said ForEx gains for the quarter was 17 crores put to operating income and interest line?

Dr. Ganesh Nayak: Yes.

Nitin Agarwal: Okay. Secondly, on the US business, what we are seeing is some of the warning letter issued for some of the larger guys like Apotex and Teva. So once this supply starts to come back in the markets impact on existing products in terms of a market share and pricing?

Pankaj Patel: Apotex has begun. We have not still seen any impact of that. We are still seeing a good opportunity in the market.

Nitin Agarwal: But even going forward, do you see entry of these players actually on a broader level impact level, so the situation in the market which has been relatively stable in the past?

Pankaj Patel: I do not see at this moment. Forecasting that would be difficult but I think we as a company we should be prepared for a 5% reduction in prices year-on-year and through cost reduction we should try to maintain. So that is where we work. We cannot say specifically when and what rate of competition will exactly be. It will come in the market obviously they will have to look at lower price so there is going to be some price competition.

Nitin Agarwal: And sir, how many products are you going to launch in US this year?

Pankaj Patel: This year we have already launched three products. We do not expect to launch additional products this year.

Nitin Agarwal: You are not looking to launch any more products this year?

Pankaj Patel: This year, yeah.

Nitin Agarwal: And despite that, you say you will be able to grow 15%-20% -

Pankaj Patel: More than 20%.

Nitin Agarwal: With the same bunch of products that you already have?

Pankaj Patel: We already have some approvals which we have not launched . So we are saying that three couple of more we are going to launch from already approved portfolio, but we do not expect any impact which we are talking about.

Nitin Agarwal: Okay, sir, thank you.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from Anand Rathi. Please

Aniruddha Joshi: Hello sir, just two, three questions on Zydus Wellness. Just wanted to know why the dividend 100 bps was cut, any particular reason?

Pankaj Patel: We wanted to basically come in line with the market what the competition does in terms of distributor and we wanted to bring that in our line so we have done that.

Aniruddha Joshi: Okay. And has the distributor margin cut for across all the three products or --?

Pankaj Patel: Yes, all the three products.

Aniruddha Joshi: Okay. And currently, what is the breakup of Nutrilite in terms of institutional and retail Pankaj Patel: Something like 75-25, something like that, but it will continue to grow.

Aniruddha Joshi: Okay, fine. On the taxation front, income tax has remained at 40%, I understand that there must have posted loss, so where do you see the tax rate coming down from Q2 onwards or Q3 onwards?

Pankaj Patel: Q2 onwards.

Aniruddha Joshi: And for the full year we look at the tax rate number around 28, 29%.

Pankaj Patel: It should be around MAT.

Aniruddha Joshi: MAT level?

Pankaj Patel: Yeah.

Aniruddha Joshi: Already first quarter we have paid at 40% and –

Pankaj Patel: We are still at MAT level. Because if you see our overall profit, and the percentage of profit number is not significant isn't it.

Aniruddha Joshi: Okay. Very lastly, can you just update us about the Purify test marketing launch and performance of Purify?

Pankaj Patel: We have received a report, we do not expect to launch it on a big way given that the opportunity as it was big one before. And currently, we do not want to launch this year. Maybe we will launch it if it is available in the market but a formal launch will not happen. We are only using distribution to sell so we are not actually actively launching the product.

Aniruddha Joshi: So purify national roll out will not happen? So basically, in terms of new product pipeline

Pankaj Patel: We are going to focus on ActiLife this year.

Aniruddha Joshi: For ActiLife we will see continued momentum in new SKUs and new product launches.

Pankaj Patel: Yeah.

Aniruddha Joshi: Okay. And I guess ActiLife is present in only one SKU as of now?

Dr. Ganesh Nayak: No, today we have three SKUs.

Aniruddha Joshi: No, no, they were varying, I mean –

Pankaj Patel: It varies, but SKU is only one at this moment. We plan to have other SKUs in future.

Aniruddha Joshi: So are we planning to launch something small SKUs or –

Pankaj Patel: Yeah.

Aniruddha Joshi: Lastly on the ad spend where do we see add spend in percent of sale remaining by the end of the year?

Pankaj Patel: I think we would see some reduction in terms of percentage about 1% for the whole year.

Aniruddha Joshi: Compared to FY11? Okay. Sir, lastly what is your ATLs to BTLs spend for Zydus Wellness?

Pankaj Patel: Above the line, below the line spending, sorry I don't have the number with me but you can get more information.

Aniruddha Joshi: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Umesh Matkar from Major Trend Financial.

Umesh Matkar: Sir, just wanted to know have you started supplying product from Zydus-Bayer JV?

Pankaj Patel: JV has launched operations in the month of May and has already started selling products in the market.

Umesh Matkar: Okay and sir, your total number of MRs as of now?

Pankaj Patel: About 500.

Umesh Matkar: 500 okay and sir, has the company entered in Mexico market?

Pankaj Patel: We are planning to get into Mexico market. As of now we are developing the products for the market.

Umesh Matkar: Okay, can you please update me on the warning letter that has been received from US FDA?

Pankaj Patel: I think you will get a very detailed explanation. I would suggest you can call us offline. We will give more detail on it again. I spent 10 minutes talking about it so I don't think I should do it again for one talk time. There are more people waiting for questions but you can call us and we will give more updates later on.

Umesh Matkar: Okay not a problem sir. Your tax rate was low in this quarter any specific reasons for thi

Pankaj Patel: There is a MAT credit in one of the units which has benefited us in this quarter that is why this quarter.

Umesh Matkar: But for FY12?

Pankaj Patel: We are expecting around 15%.

Umesh Matkar: 15% okay sir thank you.

Moderator: The next question is from the line of Vivek Kumar from SBI Cap Securities, please go ahead

Vivek Kumar: I wanted to have your assessment, I am not sure if you have done that what is the increme will be required to do to achieve your incremental 2 billion dollar kind of a sale till FY15? If you have d and it could be appreciated if you can share.

Pankaj Patel: As I told you detailed work is going on now and we expect that all this information should October or so.

Vivek Kumar: Sure, thanks.

Moderator: The next question is from the line of Bhavin Shah from Dolat Capital, please go ahead.

Bhavin Shah: The road map to \$3 billion, I know that you will be sharing more details in the subsequent acquisitions play a major role here?

Pankaj Patel: No.

Bhavin Shah: So will it be the same healthy \$1 billion translate into \$3 billion?

Pankaj Patel: Yeah that is the way we are looking at it.

Bhavin Shah: Okay that should be wonderful. Thank you so much.

Moderator: Thank you. The next question is from the line of Surya Patra from Systematic Shares and Stc Surya Patra: In fact sir I know that you are not sharing the specific details of some of the JVs but can you overall profit of this JVs for the quarter.

Pankaj Patel: We would not like to do this. As we have told we are not giving any further information ex we have given for JVs.

Surya Patra: And one more question about the Nesher acquisition what would be the balance implication onwards or whenever you would be consolidating that?

Pankaj Patel: It won't have, it will have some top-line benefit. It will not impact the bottom line.

Surya Patra: Okay you said that some facility would be acquired in that?

Pankaj Patel: Yeah we are acquiring assets that include their manufacturing facility and as I mentioned tl available in the company, so we should have some small loss but not significant.

Surya Patra: So there would not be any significant implication on that gross block or?
Management: Not at all because we are only acquiring assets so we are not taking any liabilities.
Surya Patra Okay. That is it sir. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Talati from Espirito Santo, please go

Chirag Talati: Firstly can you let us know how many new products is expected to be launched from the JV and when would we start to see patented products sort of being launched like Xarelto or Nexavar, are they out by Bayer in the Indian market?

Pankaj Patel: Yes these products have been moved into JV the patented products Nexavar is already in the market is also on the market now with the JV.

Chirag Talati: Okay do you expect to launch any new products from the JV in this year?

Pankaj Patel: This year we are not expecting additional products.

Chirag Talati: And secondly just one clarification, has the launch of Astelin being blocked because the nasal spray has not received approval?

Pankaj Patel: Sorry which one?

Chirag Talati: Azelastine nasal spray, has it being blocked because the nasal facility has also not received approval in the same block?

Pankaj Patel: Yeah it is in the same facility it is not blocked, it is not approved yet.

Chirag Talati: Yeah sure.

Pankaj Patel: The product is still under review.

Chirag Talati: Fair enough.

Nishit Sanghvi: And sir where have we reflected this ForEx gain of 17 crores, is it in other income, below operating income?

Vishal Gor: Out of Rs.17 crores about Rs.9 crores is reflected in the operating income, Rs.7.2 crores pert of loans and that is reflected on the interest cost.

Nishit Sanghvi: Okay, right sir thank you sir.

Moderator: Thank you. The next question is from the line of Kartik Mehta from Sushil Finance, please go

Kartik Mehta: Sir though you have explained most part of the questions but generally just wanted to know had a remarkable achievement of \$1 billion turnover and everybody in the company was highly charged after immediately in the first quarter we are seeing muted US numbers, emerging market degrowth, India is it like we are taking pause for the next bull run or like.....

Pankaj Patel: Kartik you have answered correctly. When you have gone too far then you really take a pause take personally the pause but I cannot stop the organisation from taking a pause. I believe that the pause is over.
Kartik Mehta: The pause should be over right is it?

Pankaj Patel: It is over, already over.

Kartik Mehta: So you hope to maintain 20% sort of US growth and 15% in India with EBITDA margin c
Pankaj Patel: Right.

Kartik Mehta: Sir last on the field force addition as such if we have done in the domestic market apart fr

Pankaj Patel: No we have not added significant number this year.

Kartik Mehta: And we are done with that or we hope to continue with addition.

Pankaj Patel: No we are done with that you know some organic growth will happen which is normal but expect significant growth in this.

Kartik Mehta: Okay I was just wondering, I just don't know whether you would be able to answer it or n luck if we are not able to get any clarity or what you call positive answer from the US FDA and it turns c turns out to be alert what would be the potential revenue loss.

Pankaj Patel: Currently we don't sell any injectable product in the US market.

Kartik Mehta: That is why I used the word potential revenue loss sir.

Pankaj Patel: Potential revenue loss could be like we have two products in the US market filed at this mc products hardly anything.

Kartik Mehta: Okay so what would have been in that case?

Pankaj Patel: That would have done a sale of may be \$10-20 million.

Kartik Mehta: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Hiresh Pathak, from Goldman Sachs, please

Hiresh Pathak: Hi sir on the unit which has received the warning letter or what has been the CapEx so fa

Pankaj Patel: I don't have the number.

Hiresh Pathak: Can I take it offline?

Pankaj Patel: This is an existing unit, this is not a new unit.

Hiresh Pathak: Right, in terms of what we had planned to be manufactured from that unit, if you can find

Pankaj Patel: Basically currently we supply our oral formulation in the US market.

Dr. Ganesh Nayak: And this investment has been made long back. So I can't give you the number.

Hiresh Pathak: You mean long back this facility was lying unutilized or what?

Pankaj Patel: No it was used for domestic markets.

Hiresh Pathak: Okay so now you vacated for the US market?

Pankaj Patel: US market yes.

Hiresh Pathak: Alright thanks.

Moderator: Thank you. The question is from the line Bhagwan Chaudhary from Indianivesh Securities, p

Bhagwan Chaudhary: , Is there any particular reason for increase in material cost this time compared to t previous year?

Pankaj Patel: Basically the reason for material cost increase is the product mix because you would have c domestic formulation, the proportion has been lower in this quarter.

Bhagwan Chaudhary: Sorry sir I am not getting that.

Pankaj Patel: Okay the change in material cost what you see is, that one is the proportion of domestic for quarter is lower. Second is that there are some reduction in margins in one of the JVs Nycomed JV becau gone off patent and also there is an increase in input cost particularly the palm oil in Zydus Wellness.

Bhagwan Chaudhary: Thank you.

Moderator: The next question is from the line of Ankur Goel from Equirius Securities, please go ahead.

Ankur Goel: Just a question on your broad strategies for new products which are in development we hav approvals for ZYGK1 and also we have a product ZYH1 in Phase-III trials. Just wanted to know are we licensing the Phase-III drugs to some big pharma companies or what is the reason?

Pankaj Patel: So as far as ZYHI is concerned, we are not going to enter into any out-licensing deal. We a put this product on Indian market and we are also looking at some indications for the developed market. products, we have been currently doing the proof-of-concept studies, at the end of the proof-of-concept s to look at out-licensing the products.

Ankur Goel: So it may take some time before any revenue starts contributing from...

Pankaj Patel: Yeah that is right.

Ankur Goel: So what can the time end say 2-3 years for ZYH1 from today?

Pankaj Patel: Well we have big basket of products so we expect that by next year we should see some re

Ankur Goel: From next year itself? Okay and sir regarding Nesher Pharma acquisition you guided for an sales in next three years. So is it that by FY15 it will be 100 million on the top-line?

Pankaj Patel: Yes.

Ankur Goel: Okay sir and can we have some ballpark figure for the bottom-line from Nesher Pharma?

Pankaj Patel: At this level, we are making a small loss going forward we will be profitable. I cannot give

Ankur Goel: Okay sir thanks for taking my question. That is all from my side.

Moderator: Thank you. The next question is from the line of Saion Mukhrjee from Normura, please go a

Saion Mukhrjee: , Sir couple of questions on the R&D cost you mentioned you spent around 78 crores th
the full year number that you are looking at and can we expect any substantial increase in the years to co

Pankaj Patel: No R&D expenditure, I think we expect to grow at a similar rate going forward. So will rei
of sales.

Saion Mukhrjee: Okay that will go in line with sales and sir on the ANDAs filings can you share, you m
injectables which is there in the pipeline what is the number of nasal and transdermal products that we ar
or we have filed for?

Pankaj Patel: I don't remember exact number but I think it is about 5 nasal and 2 transdermals are filed.

Saion Mukhrjee: 5 nasal and 2 transdermals and sir one last question on the domestic market. I mean hov
competition let's say over the last one year? How do you see the profitability of the domestic market? I r
lot of companies increasing bonuses for instance so is the profitability of domestic market has come dow
last one or two years?

Pankaj Patel: No I don't think so we have not seen decline in domestic markets' profitability. Obviously
always there and has always been more active than every year but we do not see that kind of impact. It al
product basket where you basically depend so much on bonus offers and things like that. We are fortunat
player in those categories

Saion Mukhrjee: So for you the growth is coming by maintaining profitability.

Pankaj Patel: Yeah.

Saion Mukhrjee: Okay sir, thank you sir.

Moderator: Thank you. The next question is from the line of Nitin Gosair from Religare Asset Managem

Nitin Gosair: Just wanted to ask question on Zydus Wellness, the Nutrilite contribution is close to 25-30'
and keeping in mind the palm oil is basically used in Nutrilite and Nutrilite also lost two weeks sales for
be fair to conclude that the gross margin contraction that we saw was predominantly because of the palm

Pankaj Patel: Yes.

Nitin Gosair: Still keeping in mind the contribution is only 25-30% on revenue from Nutrilite.

Pankaj Patel: First of all I do not agree with your observation that whether Nutrilite is contributing 25%
do not share this information that is why I don't want to say it but given that I can say that the impact on
because of Nutrilite.

Nitin Gosair: And Pankaj Bhai if you can give more color on what would have been the expense on this
this first quarter where this revenue didn't flow in?

Pankaj Patel: Yeah those expenses are there already so they have been booked.

Nitin Gosair: What would be the broad range of expense that has been booked during this quarter?

Pankaj Patel: I don't have the exact Sikkim operating numbers but Vishal, can you provide him? Vishal
Nitin.

Nitin Gosair: Okay thanks a lot Pankaj Bhai.

Moderator: Thank you. The next question is a followup from the line of Monica Joshi from Avendus Sec ahead.

Monica Joshi: I just want a clarification on this Bayer joint venture, I assume you will account for 50% correct?

Pankaj Patel: Right.

Monica Joshi: And would that number be in your JV sales or would it form a part of your domestic busin

Pankaj Patel: It will be in the JV sales.

Monica Joshi: So your 117 crores includes Bayer sales.

Pankaj Patel: Yes.

Monica Joshi: Would you be in a position to give us any ballpark number because we would think this is may be a month and half or so?

Pankaj Patel: Yeah it is about two months.

Monica Joshi: About 2 months and roughly could be about you must have transferred about 200 odd croi

Pankaj Patel: Number is not right we have not transferred such a large portfolio.

Monica Joshi: It is much smaller than that, okay correct and also the MR that you transferred to the JV a how do you account for the cost, I mean you take....

Pankaj Patel: Because that is gone into JV cost now, it is not in our cost.

Monica Joshi: But if you are accounting 50% of the sales, you will account 50% of the cost also?

Pankaj Patel: But in the JV, yeah overall it is there in the overall cost.

Monica Joshi: Yeah so your cost includes only 50% of the 500 MR so the rest of them of course a 100% includes this 50%.

Pankaj Patel: Yeah we also have MRs from Bayer in the JV so we also have to share their 50% cost.

Monica Joshi: Sure. So this 500 is total yours plus Bayer, is it? And okay any specific number how many your side originally?

Pankaj Patel: I don't remember exact number but about 100 people.

Monica Joshi: Okay great that is very helpful. Thank you sir, right.

Moderator: Thank you. The next question is a followup from the line of Ravi Agarwal from Standard Ch

ahead.

Ravi Agarwal: I wanted, one is on the Nesher, 30 million is an annualized number or it is a number for 6

Pankaj Patel: It is an annualized number.

Ravi Agarwal: The second thing is Pankaj Bhai, there is some confusion which I have in terms of the nu which have been filed by the injectable facility, I believe the number was somewhere close to around 17, have been filed from that facility.

Pankaj Patel: No let me explain to you as far as ANDAs, we have filed on our own it is true, we also file manufacturing for another company which was a larger number. They were something like 14 of them.

Ravi Agarwal: But those 14 don't get impacted on this watch list.

Pankaj Patel It will get impacted also. They also got impacted but we did not expect a significant revenue there was a contract manufacture ANDA.

Ravi Agarwal: Okay and in fact one of the prime reasons why we are not say expecting any more launch nine months?

Pankaj Patel: Yeah because of the warning letter we don't expect the approvals in the next few months a don't expect to show many more launches this year

Ravi Agarwal: And yet we expect to grow at around 20% for the remaining part of the nine months.

Pankaj Patel: Right.

Ravi Agarwal: Thank you so much.

Moderator: Thank you. The next question is a followup from the line of Perin Ali from Edelweiss Securi

Perin Ali: Just wanted to understand sir, like you say that though the revenue the Bayer JV would be put will we book the manufacturing revenue from the JV.

Pankaj Patel: That will be booked into our Cadila Healthcare standalone.

Perin Ali: Standalone and this will be manufactured out of Sikkim or again may be some other manufact

Pankaj Patel: Yeah mostly Sikkim.

Ravi Agarwal: Mostly Sikkim well and second when are we going to consolidate this Nesher number in

Pankaj Patel: We should be able to close the transaction next month.

Ravi Agarwal: Okay.

Pankaj Patel: Next quarter onwards we should be able to start doing the consol but actually the real impa third quarter.

Ravi Agarwal: So between quarter 3 and 4 we expect around \$30 million revenue from this.

Pankaj Patel: No that is an annualized number.

Ravi Agarwal: So 15 million for the six months.

Pankaj Patel: Yeah.

Ravi Agarwal: Thank you very much.

Moderator: Thank you. The next question is a followup from the line of Nimish Desai, from Motilal Osw Limited, please go ahead.

Nimish Desai: I wanted to know how much was DEPB income if at all you had any for last year FY11.

Vishal Gor: About Rs. 26 million.

Nimish Desai: Okay that is hardly anything and what are the current ForEx hedges that you would have i sometime back the hedges had come down very significantly.

Vishal Gor: \$126 million.

Nimish Desai: \$126 million.

Pankaj Patel: Yes.

Nimish Desai: Thank you so much.

Moderator: Thank you. The next question is a followup from the line of Nitin Agarwal from IDFC Secur ahead.

Nitin Agarwal: Sir against the overall JV sale that you reported would you be sharing the profits which a aggregate basis on the JVs?

Pankaj Patel: No.

Nitin Agarwal: Thanks.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the flc management for closing comments. Please go ahead sir.

Dr. Ganesh Nayak: Thank you very much and it was a pleasure interacting with all of you and we look fi you again in the month of October. Thank you very much and good night.

Moderator: Thank you gentleman of the management. Ladies and gentlemen on behalf of Cadila Health i concludes this conference call. Thank you for joining us and you may now disconnect your lines.