

**Cadila Healthcare Limited Q2 2010-11
Analyst/Earnings conference call
(October 19, 2010)**

Moderators:

Mr. Pankaj Patel -- Chairman & Managing Director -- Cadila Healthcare Limited

Mr. Ganesh Nayak – Executive Director – Cadila Healthcare Limited

Dr. Sharvil Patel -- Deputy Managing Director -- Cadila Healthcare Limited

Mr. Nitin Parekh – CFO -- Cadila Healthcare Limited

Mr. Vishal Gor -- General Manager, Investor Relations. -- Cadila Healthcare Limited

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

Ganesh Nayak: Thank you very much. Hi. This is Ganesh Nayak here. Very good evening to you and welcome to this teleconference for the second quarter of the year 2010-11. We have with us here Mr. Pankaj Patel Chairman and Managing Director. We also have Dr. Sharvil Patel, Deputy Managing Director, Mr. Nitin Parekh, CFO, and Vishal Gor, General Manager, Investor Relations.

Let us now take you through the highlights of the operations for the quarter. During the quarter, our India business grew by a healthy 19% with the launch of 20 new products inclusive of line extension. Of these 10 were new launches for the first time in India. Our focused efforts in cardiology and respiratory segments have started yielding the segments performance outpacing the market growth.

Our formulations business in the US grew by 41% and posted a sale of Rs. 2,258 million. We launched 10 new products this quarter in the US market.

Our formulations business in Europe grew by 33% in Euro terms for the quarter. Formulations business in Japan grew by 27% and posted a sale of Rs. 584 million for the quarter. Our business in Japan grew by 37% while our business in emerging markets of Asia-Pacific and Africa and Middle East grew by 43%.

Zyklus Wellness continued its journey on the growth path with sales up by 23% to Rs. 799 million and net profit of Rs. 135 million. During the quarter Zyklus Wellness launched two new products - One, Sugar Free Mint Chewing Gum, mayonnaise under the Nutralite brand.

Zyklus Nycomed, our JV with Nycomed, commissioned newly expanded API manufacturing facility at Noida slated to emerge as a hub for global supply of API for Nycomed's branded generic portfolio. The facility complex high-end API and would be audited by several regulatory authorities.

We filed two ANDAs with the US FDA taking our cumulative filing to 115 and we received two ANDA cumulative approval level to 58. We also filed two additional DMFs with the US FDA taking our cumulative filing to 93. For the European market, we filed eight dossiers for new products taking the cumulative filing to 98.

Now, let us take you through the broad financial highlights. During the quarter, on a consolidated basis, revenue was up 21% year-on-year to Rs. 11,063 million from Rs. 9,126 million last year. This was driven mainly by growth in formulations, exports to the US, Brazil and emerging markets as well as growth in our consumer wellness. Income from operations was up 18% to Rs. 11,167 million from the Rs. 9,458 million last year. Our EBITDA was up year-on-year to Rs. 2,488 million from Rs. 2,057 million previously and EBITDA margin has increased from 22.4% to 21.9%. Our operating profit before tax which excludes the exceptional items and the exchange rate impact on foreign exchange loans was up by 28% year-on-year to Rs. 1,965 million from Rs. 1,540 million last year up by 30% to Rs. 1,708 million from Rs. 1,319 million last year. And in line our EPS also grew by 30% from Rs. 6.44 last year.

Thank you very much. And we shall now start the Q&A session. Over to the coordinator for the question session.

Moderator: Thank you very much. Our first question is from the line of Kesvinder Suri of Span Capital.

Kesvinder Suri: The employee cost in the quarter is up sequentially from 127 Crores to 136 Crores. Is it a normalized rate going forward?

Ganesh Nayak: This is not a one-off thing. It is a result of the increase in employees on the domestic business and our international operations.

Kesvinder Suri: Okay. And how many MRs would we have added till year-to-date?

Ganesh Nayak: The total number of medical reps that we have increased over the last year is around 400.

Kesvinder Suri: Okay. And could you share some numbers on your Nycomed and Hospira JV?

Ganesh Nayak: I will request Vishal to answer that question that question of yours.

Vishal Gor: The sales of Nycomed JV, our share is Rs. 164 million during the quarter. And profit was Rs. 134 million. On the Hospira front, the sales, our share was Rs. 314 million. And profit was Rs. 134 million.

Kesvinder Suri: Okay. Thank you. I will get back in the queue for any more questions.

Moderator: Thank you. Our next question is from the line of Bhavin Shah of Dolat Capital. Please go ahead.

Bhavin Shah: Sir, if you could throw some outlook on both the joint ventures, Zydus, promising announcement recently given on the expansion of Nycomed API facility. When do we see the kick-off happening and if you could throw some light on the Hospira joint venture as to any batches which have recently commenced and the outlook on the market?

Pankaj Patel: First of all, on Nycomed JV, we have commissioned the plant and we are currently taking batches. We expect our inspection to happen in the January to March quarter. And subsequently our supply will start. We expect next year the revenues will start pouring in as far as the API sales is concerned. On the front of Hospira, we have added one more product and we started supplying that for US and European market and we expect our production to ramp up in the US market and that is why you see some sales ramp up already started and we expect that to continue in the next quarters as well. So, as we always have given you guidance that combined revenues of Nycomed plus Hospira will be higher than our previous earnings from Nycomed alone.

Bhavin Shah: All right. But any color on whether the scale up in US per se would be primarily through

of this product or would it expand further?

Pankaj Patel: We expect it to expand going forward.

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

Moderator: Thank you Mr. Shah. Our next question is from the line of H R Gala from Quest Investment

H R Gala: I think you have been delivering what you have committed. Now, at this juncture would you give guidance for the full year?

Pankaj Patel: Actually, as a policy we do not give guidance. I think we would not like to revise our guidance. We will continue doing well. We do not see any reason that our next quarter should not be good. But at the same time, as a policy we do not give guidance, I do not think I will be able to give any revision of the guidance because of the same policy.

H R Gala: Like in the past conference call you had said that you expected domestic formulations to grow

Pankaj Patel: Yeah. I said that our domestic formulation will continue growing at 15% plus, that is what the top-line is concerned and we are very much on track. And as I had explained before that whatever we have issues are not there. Our actions have also basically resulted into the right way. So we expect to continue growing the domestic market which will be more than 15%.

H R Gala: Okay. Pertaining to the domestic formulations market, you talk to any company, everybody is in a line of expanding their field force, getting more and more into the lifestyle related chronic therapies and you see the Indian formulations market is headed to? Do you see any possibility of a consolidation happening in the near future? How do you read the market trend?

Pankaj Patel: Consolidation is independent of growth. So, if the market is growing well I do not think there will be consolidation. Consolidation normally happens when people do not see a growth in the market. Because of the market is not growing, they tend to sell out given the limited upside. So I do not see any reason why consolidation will happen in the Indian market.

H R Gala: Okay. But say for example, everybody may not be having the same strength as their competitors. Some may be stronger than others. So, more consolidation may come from that.....

Pankaj Patel: Yes, some players may start thinking on that, but currently, we do not see that trend.

H R Gala: Okay. Sir, how do you see the trend in the EBITDA margin, which you had said last time also increasing, and in fact they have increased in this quarter?

Pankaj Patel: I think if you see, we are improving our EBITDA margin on an average 1% every year. And we are clearly seeing that happening. I think even going forward we also will be able to maintain that kind of trend.

H R Gala: Okay. Sir, a little while ago, you gave the Nycomed and Hospira, I think profit numbers, are they a part of the total of the....?

Pankaj Patel: Our share.

H R Gala: 88 million and 134 million.

Pankaj Patel: Yeah, that is our share.

H R Gala: Okay. Thank you very much sir and wish you all the best.

Moderator: Thank you Mr. Gala. Our next question is from the line of Monica Joshi of Avendus Capita

Monica Joshi: Just some bit of accounting questions here. Why is it that the standalone profit is higher t I believe this does not generally happen. Is there something on the tax rate front we are seeing here?

Vishal Gor: Certain subsidiary companies where we are making investments as of now, we are not maki therefore standalone profits are added in the consolidated profits.

Monica Joshi: But that should have been through in the earlier quarters too, right? So, for example, last think this was the case.

Vishal Gor Yeah, there would be marginal difference but that difference should not be significant in any

Monica Joshi: Okay. Just a question on the Hospira side. The US FDA approval for this plant, what is tl

Pankaj Patel: We already have approval from the US FDA for the plant and we actually are shipping pr

Monica Joshi: Okay. And on the Nycomed side, how many APIs are now covered, given that the agreeer expanded?

Pankaj Patel: Well, we are going to produce all the API which Nycomed currently consumes at our JV (plan to produce about 8 APIs at our JV and the balance of approximately 6 will be produced at Cadila.

Monica Joshi: Okay. And just one final question on the tax rate, we are far below MAT even on the firs guidance that you are giving for the full year here?

Vishal Gor: Yeah, it will be from 12 to 15%.

Monica Joshi: Okay. And this should apply even in the next year?

Vishal Gor Going by the current policy, yes, we all have our fingers crossed in terms of what DTC has i

Monica Joshi: Okay, fine. And the current MR strength is in India is....

Ganesh Nayak: It is 4,400.

Monica Joshi: Thank you so much.

Moderator: Thank you Ms. Joshi. Our next question is from the line of Ranveer Singh of Brics Securiti

Ranveer Singh: I see in Zydus Wellness, the sequentially we see a degrowth, despite the two products l any particular reason?

Pankaj Patel: No, I think it is a seasonal factor I do not think there is any concern from our angle that the growth per se. So, quarter on quarter you might not see exact growth numbers, but year on year, we do have we do not see any signals of any deaccelerating of market or growth.

Ranveer Singh: Okay. And for Zydus Hospira, this level of revenue we can expect in next quarter too?

Pankaj Patel: Yes.

Ranveer Singh: Okay. That is all as of now. Thanks.

Moderator: Thank you Mr. Singh. Our next question is from the line of Nimish Mehta of MP Advisors.

Nimish Mehta: I missed the part in Nycomed, is there any guidance that you are now giving on Nycomed of the contract agreement that you have in place?

Pankaj Patel: No, we do not give any guidance for Nycomed.

Nimish Mehta: Any color that you can give?

Pankaj Patel: Color I told you, we are going to start supplying eight products from first quarter next year.

Nimish Mehta: Okay. And what would be the total market size of those products at the end of Nycomed?

Pankaj Patel: That would amount to giving you guidance. We are not giving guidance and we would not do this time.

Nimish Mehta: Thank you. Okay.

Pankaj Patel: Because of regulatory issues and things like that. Once everything is clear we know exact what will happen so we do not want to start talking about it before we finish all those regulatory part of it.

Nimish Mehta: The next thing is on domestic growth that we have seen which is about 19%. So, is it largely a new product or are we also seeing any growth in the existing brands.

Ganesh Nayak: Yes, it is through the existing ones, because our scale is so large, just the new products will give us a growth of 19%, but since you are on that subject and maybe somebody else has this question I mentioned in my opening talk that in the cardiovascular and respiratory areas our strategic inputs over the last one year are paying results and just to give you some numbers to bear that out, in our Medica division, the market grew at 18.5% and we grew at 18.5%. In Cardiva, which is another cardiovascular division, the market grew at 25% while we grew at 43%. And likewise in the respiratory, the market grew at 25% and we grew at 34%.

Nimish Mehta: I see. Okay. And in terms of the US market how many products have you launched in the US? What is the total number of products launched in this market?

Ganesh Nayak: Last quarter, we launched only one product.

Nimish Mehta: So the growth that we have seen, I understand YoY growth but also some amounts of QoQ growth and largely expansion of the market share in the current product also have assets?

Ganesh Nayak: Yeah it is both, the products which we launched this year, like one of them is Tamsulosin existing products; both have grown well in the quarter.

Nimish Mehta: Okay and what number of products do you expect to launch for the entire year?

Ganesh Nayak: Number of products in this quarter we would be launching two or three products. Because one that was to be launched earlier is now delayed and it got launched in this quarter.

Nimish Mehta: Okay. So roughly about 8 to 10 products in this entire year is what we expect to be launched.

Ganesh Nayak: I think so.

Nimish Mehta: Okay. Thank you very much.

Moderator: Thank you Mr. Mehta. Our next question is from the line of Krishna Prasad of JM Financial.

Jesal: Yeah, this is Jesal. Just two, three questions, actually, one on the US market again. If you can just talk about the ANDAs you have filed this quarter? And if you can talk about the filing with respect to the delivery system.

Ganesh Nayak: We filed the two ANDAs this quarter. And both are delivery system based ANDAs.

Jesal: Right. And you also had some development effort ongoing for the aerosols as well as for the derm, anything happened on that front?

Pankaj Patel: No, on the nasal side, we have filed number of dossiers, for aerosols, we have not yet filed. In the case of derma which is work-in-progress at this moment.

Jesal: Okay. And on the processing income, we are seeing some decline year-on-year. Anything particular should keep in mind?

Pankaj Patel: I think basically after the Abbott deal we have deaccelerated our effort on getting more deals of new nature. Because we would like to focus on existing relationship and basically get maximum from existing deals rather than creating these additional avenues for us. And as a result you will not see a significant processing income growth.

Jesal: Right. And then on the Nycomed JV with the district and the final decision going against generics, that the generics would have withdrawn or stopped selling Pentoprazole, so, was there in your view any impact on your volumes?

Pankaj Patel: Not really, because I think enough stocks were pumped in before that.

Jesal: Right. And the last question on the working capital, this obviously is the first time you are giving numbers, so, besides the seasonality, is there anything else that has impacted the working capital?

Pankaj Patel: No.

Jesal: This is mostly the seasonal half year something.

Pankaj Patel: Yes.

Jesal: Okay. Thank you.

Moderator: Thank you Mr. Prasad. Our next question is from the line of Rahul Sharma of Karvy Stock ahead.

Rahul Sharma: There has been good growth in the Brazilian market now. Has this been on account of n introductions or what would it be the reason for the same?

Ganesh Nayak: We had some supply issues last year which was corrected this time. And we also have o in the control category. So, we have got supplies of that, because in Brazil, you cannot supply every mor logistic issues. So, we have got one supply of that product which we could leverage to sell other product: of both these factors.

Rahul Sharma: Will you be able to maintain this type of a run rate for the quarters ahead?

Ganesh Nayak: For Brazil?

Rahul Sharma: Yes.

Ganesh Nayak: Yes. In fact, there we go by the year January to December. So, next year, we start from expecting some products approval next year.

Rahul Sharma: With shifting of products to Sikkim for your Wellness, do you believe you will be able prices?

Pankaj Patel: Yes.

Rahul Sharma: You do not need to pass it on.

Pankaj Patel: Why? We do not have to pass it. No.

Rahul Sharma: Okay. Thanks.

Pankaj Patel: So we are provisioning in tax free zones so there is excise duty.

Rahul Sharma: Yeah, that additional benefit we will get.

Pankaj Patel: Only the tax benefit will be additional.

Rahul Sharma: Okay. And excise part also would be there, right?

Pankaj Patel: Excise part is already there, currently, we produce an excise free zone these products.

Rahul Sharma: Okay. So no incremental benefit except for the tax?

Pankaj Patel: Yes.

Rahul Sharma: Okay.

Moderator: Thank you Mr. Sharma. Our next question is from the line of Sushant Dalmia of Angel Bro ahead.

Sushant Dalmia: Just on the ForEx cover.

Vishal Gor: See, the current ForEx cover on receivable front it is hardly anything - it is only \$3 million side. On the ForEx loan side, out of the total Rs. 1,090 Crores worth of loan about 50% that is Rs. 540 Crores are in foreign currency and about Rs. 120 Crores worth of loans are hedged forward.

Sushant Dalmia: Okay sir. Thanks.

Moderator: Thank you Mr. Dalmia. Our next question is from the line of Nishant Patel of Antique Stock ahead.

Nishant Patel: Is it possible for you to share the numbers for Nycomed and Hospira in Q1?

Ganesh Nayak: Yeah, sure. I will give it you offline if it is okay.

Nishant Patel: Sure sir. Not a problem. Thank you so much.

Moderator: Thank you Mr. Patel. Our next question is from the line of Rohita Sharma of Enam Securities ahead.

Rohita Sharma: Wanted to get a sense on other expenses coming down as a percentage of sales on Y-o-Y basis, the reason for raw material cost being largely flat despite higher contribution from formulations?

Vishal Gor: See, on the other expenses front, most of the expenses, the increase has been factored in. In Q1, so, on Q-o-Q basis you will see some flat numbers, but on Y-o-Y basis, there is an overall increase in expenses which is of course less than sales growth which speaks about the efficiency. On the material cost front, when domestic formulations business contribution is higher, your material cost is bound to be lower because it is one of the highest margin business.

Rohita Sharma: Vishal, I am sorry, I did not get this.

Vishal Gor: See, your question was on material cost being more or less flat despite domestic formulations business is one of the highest margin business. So, if it grows, the overall material cost is bound to remain flat. On the other hand, API was lower this quarter which has relatively higher cost. That is why you see a relatively lower growth in material cost.

Rohita Sharma: Okay, fine, thank you.

Moderator: Thank you Ms. Sharma. Our next question is from the line of Surjeet Pal of Elara Capital. Please ahead.

Surjeet Pal: You said your joint venture and Cadila would be manufacturing APIs of Nycomed. Consider the API plants which they have shut down in Austria and Germany, I just need to know what could be the primary reason in a sense that how many of them are patented. How many of them are about to be going off-patent say in the next one or three years time and what could be the average size of this product, 100 million plus or below 100 million?

Pankaj Patel: See, we do not have any of this data to give you at this moment. And we would not be able to provide that information.

Surjeet Pal: Okay. Because what I have read somewhere is that roughly around two or three products is million, rest of them is below 100, so considering the smaller size of this product, will it have that kind of the way Pantoprazole has or the loss of sales to Pantoprazole because of generic competition.

Pankaj Patel: We have always given you guidance saying that what we earn in out of Pantoprazole busi

Surjeet Pal: I am not about talking guidance.

Pankaj Patel: We cannot earn going forward. The fact that products are off patent. And what we expect Nycomed and Hospira JV put together those numbers should be better than before.

Surjeet Pal: Okay.

Pankaj Patel: So that is the guidance we can give you, but beyond that it is difficult for us to give you s moment

Surjeet Pal: I am not looking for guidance. I just want to have an idea that how far could be the commer additional products, both eight plus six?

Pankaj Patel: Yeah, exactly. I cannot give you numbers. That is the whole point. This is what I am tryin clear that we are going to produce eight products in joint venture and six products in our own plant but b difficult for us to give you any further guidance on this. Once this is stabilized, then we will be able to gi guidance.

Surjeet Pal: Okay. Thank you.

Moderator: Thank you Mr. Pal. Our next question is from the line of Hitesh Mahida of Marwadi Shares Please go ahead.

Hitesh Mahida: Just wanted a clarity on why there has been a degrowth in the API business, both expor domestic?

Pankaj Patel: I was waiting for that question. See, two things have happened. One is last year if you rec launched Clopidogrel which we supplied to Europe and the product went off patent and there was two or companies which produced and sold this product. So, we had a kind of a peak there last year in this quart And, we sold not only higher volumes initially, the prices at which we sold them were also higher, becau were on the higher side. Second is that one shipment which was worth of Rs. 5 Crores which was to be d month got delayed and it has got executed on the 2nd of this month. So, these are the two reasons why o see a degrowth of 3.6%.

Hitesh Mahida: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Bhavin Shah of Dolat Capital. Please go al

Bhavin Shah: I wanted some clarity on Europe generics for next year, considering that there are series o and what do you see this market contributing for Cadila Healthcare?

Ganesh Nayak: Yeah, what you say is right. But actually these price cuts came in this year too and we h over. The competition is severe, no doubt, but you see for us the advantage is at this point in time, whate especially France, because that is where the major volume comes in from, should be doing around EUR

even today, the quantity of the products which we supply from India is just about 30%. The balance 70% Europe. And there the cost of goods is relatively higher than what we get in India. But going forward, sit change in favour of more supply from India. And that advantage of the cost of goods which we will have over this price cuts which we have especially France.

Bhavin Shah: Okay. In terms of revenue growth would it be fair to assume that it will be running in dou

Ganesh Nayak: See, the market is growing at 13%, so, obviously, we should be growing in double digit

Bhavin Shah: Okay. Thank you so much.

Moderator: Thank you Mr. Shah. Our next question is a follow-up from the line of H R Gala of Quest I go ahead.

H R Gala: Any change in the CapEx plan that we have for current year and next year?

Vishal Gor: No.

H R Gala: It is around Rs. 375 Crores what you had guided for the current year and almost similar amou

Vishal Gor: Yes.

H R Gala: Okay. Can you tell something about how our H1N1 vaccine is doing?

Ganesh Nayak: It is doing well in terms of the acceptance of the product, however in terms of the pande whatever we are expecting that is on a low key.

H R Gala: Okay. You have given a guidance that you will be able to sell over a period of time about a n you think we will be able to reach the target?

Ganesh Nayak: Yes. Million doses there is no issue, because in spite of all this, we have been selling ar 100,000 doses per month.

H R Gala: Okay. From 50, we have increased to 80 to 90.

Ganesh Nayak: Yes.

H R Gala: Okay. And sir, the MRP you had said in the last conference call was Rs. 395 at what price do

Ganesh Nayak: Same price. Rs. 391 per dose or Rs. 3,910 for a vial of 10 doses.

H R Gala: Okay. Thank you.

Moderator: Thank you Mr. Gala. Our next question is from the line of Manish Jain of Axis Holdings. P

Manish Jain: I just wanted an insight on the R&D expenses which have gone up by 46%. Is there any el trials in these expenses either in the current quarter or during the first half?

Pankaj Patel: Yes, there are some clinical trials going on both for generic and innovative products. Ther

trial expenditure but this is like kind of a timing issue, so you would see in this quarter a high growth but see that similar level of percentage of R&D spending around 6% would continue.

Manish Jain: Thanks.

Moderator: Thank you Mr. Jain. Our next question is from the line of Rahul Sharma of Karvy Stock Br ahead.

Rahul Sharma: When you had mentioned for Hospira and the supplies of one product which is commer Docetaxel?

Ganesh Nayak: Yes.

Rahul Sharma: Okay. And another thing was that you said earlier you had launched 10 new products in for first time. Could you just run us through that, which products and which segment?

Pankaj Patel: We can provide you that information offline. I will ask Vishal to get you the details of the launched during the last quarter.

Moderator: Thank you. Our next question is from the line of Kesvinder Suri of Span Capital. Please go

Kesvinder Suri: We had given a milestone of a billion dollars by FY11 which is very much in sight. I w could provide us another milestone to look forward to going forward.

Pankaj Patel: We have our vision statement which talks about \$ 3 billion in 2015.

Kesvinder Suri: Right. And what would you term as the component which would drive us to that numb

Pankaj Patel: We have given a very broad guidance on how we are going to achieve that in our investor read the particular slide where it is mentioned that we are basically getting into newer areas like vaccines pulmonary, transdermals, etc. which will get commercialised in short-term and mid-term to make sure the next milestone.

Kesvinder Suri: And just on the margin front you said we could see a percentage margin improvement ; look sequentially this time operating margins are actually down about 500 basis points from 26% in the 1 odd this quarter. Would you list out kind of events or things which would actually lead to an expansion c second half of this year?

Pankaj Patel: I think quarter-to-quarter margin expansion comparison will not be a right thing because s there in first quarter, some in second, some in third quarter; this is the marketing strategy and other thing you can see if you compare our last ten year annual results and you see the margin expansion you will fi expansion every year and we are very confident that this year also we will see a 1% margin expansion. A that last quarter we had a one-time income coming from Abbott and that basically gave us significant am almost Rs. 47 Crores plus in that quarter, so that also basically helped us to expand the margins in that p

Kesvinder Suri: Okay. I just wanted to understand that in the second half would it ideally be a stable sta there be some events which could see an explosive growth? Could you throw some light on that front?

Pankaj Patel: No, we do not see explosive growth or major change happening in next half.

Kesvinder Suri: Okay. And lastly could you throw some light on your R&D initiatives as to where they milestones look forward in the next 18 months or so?

Pankaj Patel: We have several preclinical work going on about three or four different targets and we have INDs this year. This will be of significant value. And also we are concluding some of the important Phase 1 studies that our projects are moving to next level during the next couple of quarters. As a company we decide we should have ten IND development program in our R&D portfolio by 2010-11 and we believe that we are on target also as far as R&D goals are concerned. In terms of anything else regarding what you are expecting regarding licensing and all that we cannot give you any further color to that or guidance to that. But we believe that they are very much under control and moving on the right track.

Kesvinder Suri: I understand that you do not provide a guidance on that but I am trying to arrive at it, is it open to monetizing these IP at some stage and by when would you think the company be in a position to do those things if not looking at them right now?

Pankaj Patel: Well, we are open to look at monetizing that at appropriate time, but I do not think we can set a timeframe on this we will basically be monetizing it. It will all depend on what kind of development milestones we see the challenges for us to do on our own. We prefer to do as much work on our own than actually partner till we realize that now it is a time really to go out and then we will start talking to partners.

Kesvinder Suri: Right. Thank you so much and all the best.

Moderator: Thank you Mr. Suri. Our next question is from the line of Nimish Desai of Motilal Oswal. I

Nimish Desai: Just a couple of questions related to Forex. It was mentioned that receivables hedge was in place, what is the strategy out there, would you be taking more hedges going forward because otherwise you seem to be underhedged?

Pankaj Patel: Yeah, usually we do not hedge forward as a policy, so, we are not planning to do any hedge going forward. Because the markets are very volatile and it is not clear where it will swing. It is very difficult to manage, we have decided to avoid doing this as much as possible.

Nimish Desai: Okay.

Nimish Desai: Okay. And how much of your revenues are denominated in US dollars? Obviously, US revenues are in US dollars. But are we to assume that outside Europe, whatever revenues you are making, are they also denominated in US dollars or would...

Vishal Gor: Brazil, Europe, South Africa and Japan are in respective currencies. US and rest of the world revenues are in US dollars.

Nimish Desai: Okay. And how much of your expenses would be denominated in US dollars?

Pankaj Patel: In the respective countries, whatever subsidiaries we have revenues there, our expenses are also in those currencies.

Nimish Desai: No, I understand that but at a consolidated level, is there a ballpark number that is a certain percentage of expenses...

Pankaj Patel: We do not have the data.

Nimish Desai: Okay. Thanks a lot.

Moderator: Thank you Mr. Desai. Our next question is from the line of Nimish Mehta of MP Advisors.

Nimish Mehta: As a part of the Nycomed JV are we likely to supply for the new products that is roflum

Pankaj Patel: At this point, no.

Nimish Mehta: That is not a part of the agreement?

Pankaj Patel: No.

Nimish Mehta: Okay. And you mentioned about Taxotere being added in the Hospira. This was for the

Pankaj Patel: Yeah.

Nimish Mehta: Okay. Thank you very much.

Moderator: Thank you Mr. Mehta. Our next question is from the line of Ashish Goel of Sharekhan. Plea

Ashish Goel: I have a question regarding Zydus Wellness segment. The three major products in the segm Nutralite and Sugar Free. If you could please provide me with some information on market share and gro products that we have acquired during the quarter?

Vishal Gor: We can go at the market share data but as a policy we do not share the internal sales figures. The market share of Sugar Free would be over 80%. EverYuth, we have broadly three ranges. Scrubs, Pe Washes. In Peel Off we have virtually the market share with above 98% market share. On Scrubs, we ha share. And Face Wash, we are number two, with about 14% market share. Nutralite, as such the audited but we believe that we are number one. We are the market leader in the margarine category.

Ashish Goel: Okay. Sure. Thank you.

Moderator: Thank you Mr. Goel. Our next question is from the line of Surjeet Pal of Elara Capital. Plea

Surjeet Pal: Yeah, just two quick questions. In Abbott, what is the latest development? When can we ex milestone or what could trigger as a milestone? And if there is any milestone what could be the size and question is regarding NCE. Have you started any discussion with any of the big guys in terms of our pric

Pankaj Patel: As far as Abbott is concerned, we cannot give you any specific guidance at this moment. discussing about NCE with anybody.

Surjeet Pal: Okay. When do you see that you will start supplying again to Abbott? And that could trigge
....

Pankaj Patel: I think we expect that the supplies to take anything between 12 to 18 months from now.

Surjeet Pal: Okay. Thanks.

Moderator: Thank you Mr. Pal. Our next question is from the line of Ashish Thavgar of Emkay Global.

Ashish Thavgar: Can we have an update on Tacrolimus launch in the US?

Pankaj Patel: I do not think we can give the data now. But maybe we can revert to you later.

Ashish Thavgar: Okay sir. Not an issue. That is all from my side. All the best.

Moderator: Thank you. Our next question is from the line of Ashish Goel of Sharekhan. Please go ahead.

Ashish Goel: I have one question on Sikkim facility for Zydus Wellness. Could you provide us some timeline to start?

Pankaj Patel: We expect that to be commissioned by first quarter next year.

Ashish Goel: Okay. And we expect the growth momentum of our existing product in Zydus Wellness since it will grow over a period of time, could you provide us some information on that or guidance on that?

Pankaj Patel: We have our vision of crossing sales of Rs. 500 Crores in Zydus Wellness by 2013. And I hope to be able to do it early.

Ashish Goel: Okay. Thank you, sir.

Moderator: Thank you Mr. Goel. Sir, there appear to be no further questions from participants. Would you have any closing comments at this time?

Ganesh Nayak: Yeah. Thank you very much and we look forward to talking to you again in the month of December to finish the third quarter of the financial year. Thank you very much. And wish all of you a very happy and prosperous new year.

Moderator: Thank you sir. Thank you members of the management team. Ladies and gentlemen on behalf of Zydus Healthcare Limited that concludes this evening's conference call. Thank you for joining us on the Chorus Service and you may now disconnect your lines. Thank you.