

"Granules India Limited Q1FY15 Earnings Conference Call"

July 25, 2014





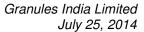
MANAGEMENT: Mr. C. Krishna Prasad – Managing Director,

GRANULES INDIA LIMITED

MR. V. V. S. MURTHY – CFO, GRANULES INDIA LIMITED MR. PRASADA RAJU – AVP, CORPORATE STRATEGY,

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GRANULES INDIA LIMITED





Moderator:

Ladies and gentlemen, good day and welcome to the Granules India Limited Q1FY15 earning conference call. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Prasad. Thank you and over to you sir.

Dr. Prasada Raju:

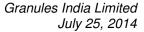
Thank you. Hello and welcome to Granules India's Q1FY15 earnings conference call. This is our second conference call and some of you may have had a chance to attend our first one in April in which we took the opportunity to take the analyst community through a more detailed description of our business. The transcript of the previous conference call and our updated investor presentation is available on our website.

To discuss the business performance in the quarter, I have members of the senior leadership team including Mr. Krishna Prasad – Managing Director and Mr. V. V. S. Murthy – CFO. We will begin this call with remarks from the team and will then open it for questions. Before we proceed with the call, I would like to remind everyone that the safe harbor language contained in our press release also pertains to this conference call. The transcript of this call will be made available on our website early next week. If any additional clarification is needed after the call, please feel free to get in touch with Mr. Vijay Ramanavarapu who can be accessed through the Granules Investor Relations e-mail you sent yesterday or his mobile. With this, please let me turn the call over to Mr. Krishna Prasad for his remarks.

C. Krishna Prasad:

Thank you Dr. Prasada Raju and good afternoon everybody. This was an exciting quarter for Granules. The profit margin in our standalone business continues to grow and for the quarter we reported a 19.5% EBITDA margin. Our performance reaffirms the validity of our business model and demonstrates how we are able to add value for our customers. This margin compares to 14.6% for the corresponding quarter in FY14 and 11% in FY13. We believe the margin is sustainable due to our focus on operational excellence. We continue to believe that manufacturing efficiencies will be critical for pharmaceutical companies.

In addition to the strong financial performance, we had several accomplishments on our operations side. First, the Bonthapally API facility successfully completed a US FDA inspection. In addition, our Jeedimetla API facility was also inspected by the EDQM. We are happy to complete the inspection by regulators in light of the more stringent enforcement of quality and regulatory norms. Our Bonthapally facility also received additional certification for environmental and worker safety systems. I am particularly proud of this because as a company we believe in environmental health and safety systems and these will become a major selection criteria for brand owners and generic leaders much in the way that regulatory approvals are essential to do business. Also during the quarter, we started the construction of a new PFI production module at our Gagillapur facility. We anticipate the new capacity will be available towards the end of the calendar year.





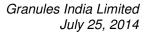
Q1 was the first quarter that we ran operations at Auctus fully, the API company which we acquired in February. Our primary focus this year at Auctus is improving operational efficiencies and I am pleased with the performance so far. While the revenue from Auctus is relatively flat compared to last year, it does not reflect the progress we have made. Our R&D team is working on process efficiencies and yield improvements of the existing APIs. We are also exploring possibilities to increase the product basket by introducing several more value-added APIs. Our team has also begun working on ANDA filings and we aim to file 3 ANDAs within the next 12 months. While I am unable to disclose the particular ANDAs which we are filing, we feel these products offer compelling opportunity for us and will provide higher margins than our current finished dosage products. While the true potential of Auctus will only be unlocked once we get approvals for our ANDAs. Sales of APIs in the short to midterm will increase and boost margins. We have been in active dialogue with customers and believe the traction we are gaining will start to show in the second half of the financial year. I will now hand over the call to V. V. S. Murthy, our CFO who will talk about our financial performance.

V. V. S. Murthy:

Thank you sir. Our consolidated revenues grew 36% to 311 crores and EBITDA grew by 69% to 53 crores while PAT increased by 56% to 23 crores. During this quarter, our EBITDA margin improved to 17.1% of the sales which is highest so far. Revenue was driven by strong growth from all the aspects of business, all the segments that is API, PFI and Finished Dosages. From a revenue breakup point of view, approximately 38% of our standalone sales are coming from FDs, 26% came from PFIs and 36% from API. This compares to 34%, 30% and 36% for FD, PFI and API in the corresponding quarter of the last year respectively. We have been able to gain more finished dosage sales due to the new capacity at Gagillapur plant which was commercialized in FY14. While our long-term goal is to shift more of our revenue to finished dosages, there will be marginal variations among the quarters as we balance our capacities among API, PFI and finished dosages.

As per our geographic breakout, approximately 69% of standalone sales came from US, Canada and Europe against 65% sales during the first quarter of previous year. During the quarter, we had a scheduled maintenance shutdown that lasted for 10 days at our Gagillapur facility. This was primarily in the PFI module. In addition to that, we have a scheduled maintenance shutdown at our Jeedimetla PFI also to renovate our facility. Our EBITDA margin improved by 329 basis points compared to the corresponding quarter of the last year due to higher capacity utilization and product mix. Our profit before tax improved to 11% compared to 9.7% during the last year. The difference between margin expansion at the EBITDA and PBT level is due to the increase in interest and depreciation cost due to acquisition and financing of Auctus.

Going forward, we expect similar interest and depreciation cost due to the financing of Auctus which is rupee denominated loan. The consolidated numbers include Auctus, Granules Biocause and the Granules VSA. Auctus contributed 26.1 crores to the topline during the quarter with an EBITDA of 2.2 crores, but there is a net loss of 2.9 crores in this quarter. As MD indicated, we expect stronger growth in the second half of the financial year and anticipate





breakeven or nominal profit after tax in this year. Our priority to fix operational issues at Auctus, so we can file ANDAs with more efficient process instead of scaling up the sales as quickly as possible. We are planning to invest about 75 to 100 crores during this year towards CAPEX which includes normal CAPEX of around 30 crores. With this, I would request the moderator to open the lines for questions.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Samarth Sanghvi from PhillipCapital. Please go ahead.

Samarth Sanghvi:

Sir couple of questions with respect to the acquisition of Auctus. Just wanted to understand sir, what kind of product range is this company into and what is the kind of revenue and profitability run rate we do expect to achieve once this company is completely integrated and fully functional?

C. Krishna Prasad:

I will turn this question over to Dr. Prasada Raju who takes care of Auctus.

Dr. Prasada Raju:

Thank you for the question that you have raised. The range of products that we have it or starting from anti-histamines like Cetirizine and the Levocetirizine and anti-hypertensives starting from Losartan Potassium, Olmesartan, Telmisartan and Valsartan and also we have Anti-Thrombotics products like Clopidogrel and we also do have one of the antibiotic products which is very unique is Rifaximin and we also do have anti-convulsant Pregabalin. This is the current basket that we do have it with us. If you really look at the overall regulatory filings, we do have US DMF filings and also European filings. We have total four filings which we got approvals also in Europe. We would want to grow these products by improving the operational efficiencies and increasing the capacities and convert most of the strategic products into FD thereby we will have stabilized revenue gets generated.

Samarth Sanghvi:

Sir but my question is with respect to what are the number of filings that we have made in DMF and how many have we received approvals sir, what is pending and versus what is achieved?

Dr. Prasada Raju:

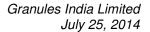
We have 6 European filings and 4 approved and the two of them are expected in less than 3 months' time. During the first quarter, we got two approvals. One is Rifaximin, another one is Telmisartan. We got COS approved and Rifaximin is the product which we got approval and apart from the innovators, we are the only company who has got COS approval.

Samarth Sanghvi:

Right, sir these are European approvals and any US?

Dr. Prasada Raju:

US also, we filed US DMFs, but actively we have not pursued and we have not issued any letter of access to any of the customers yet. And we internally we have decided to consume those APIs starting from Cetirizine and we are also looking of Clopidogrel and Losartan kind of products where we convert those DMFs for our ANDA consumption and in the first quarter,





we have also included one more product for our ANDA development as our MD has mentioned which we will be filing in next 12 months' time that API is going to come only from Auctus.

Samarth Sanghvi: Right. So the API will be supplied to Granules and in turn the Granules will sell it as FD or PFI

to its client. Would that be right assumption?

Mr. Krishna Prasad: It will be as FDs.

Samarth Sanghvi: So sir broadly if we have to look at the mix may be within FY15 and FY16, what would be the

revenue mix versus APIs, PFIs, and FDs sir. Could you give us some kind of a forward looking

statement on that sir?

Mr. Krishna Prasad: FDs will be leading followed by PFIs and then by APIs as we go by and FY16, we see at least

about 40% as FDs, may be about 30%-35% as PFIs and the rest as APIs. The APIs mostly come from Paracetamol and Guaifenesin where we have some multiyear contracts with few brand leaders and so that keeps going on. There is no way we can cut off the API supply from

them. So that keeps going on.

Samarth Sanghvi: Sir just one final question before I get back in the queue. Any new products that are in the

pipeline?

Dr. Prasada Raju: Yes, there are a few products we are working on at Auctus and I think lot of R&D work had

been done and validations will start shortly. So may be next call we should be able to give you

more details on this.

Samarth Sanghvi: And any kind of market size that we are targeting. I mean, what would be the market size of the

products that we are targeting, any ballpark figures sir?

Dr. Prasada Raju: It is too early to talk about it because products are under development. Once we come to

production level and start supplying some validation batches or some trial batches, then we can

start choosing those particular..

Mr. Krishna Prasad: The market size is big, but normally whenever we introduce products in the FD space, we look

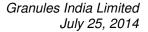
at 5% market share.

Samarth Sanghvi: 10%?

Mr. Krishna Prasad: 5% market share.

Samarth Sanghvi: 5% market share.

Mr. Krishna Prasad: 5% for FDs.





Moderator: Thank you. We have next question from the line of Ranjit Kapadia from Centrum Broking

Limited. Please go ahead.

Ranjit Kapadia: My question relates to Auctus Pharma. We have 12 APIs. How many you are planning to

convert to PFI and formulation during this year and next year?

Mr. VVS Murthy: As of now, we have identified four products. In fact the initial full preparation and ground work

has already been done and next year probably we might pick up another four products. Few of them could be from the existing basket and this quarter also we have started introducing few

more products. Together total 8 APIs that we are planning to convert them into ANDA.

Ranjit Kapadia: To ANDAs?

Mr. VVS Murthy: Into ANDAs, the finished dosage forms.

Ranjit Kapadia: For both the years taken together, FY15 and FY16?

Mr. VVS Murthy: Correct because see ANDA development almost is 1-1.5 years it will take, then afterwards

regulatory approvals are required. So there we cannot say one year-two years this will happen,

but over a period of time these things will happen.

Ranjit Kapadia: And any forex gain or loss was there in the quarter?

Mr. VVS Murthy: Very marginal amount. This is not very big amount because for term loan part, we are

capitalizing to fixed assets as we are already giving a note in the results also. But other than that, we do not have much because we have natural hedges. There are some major customers

where contracts to pass on the benefit or loss. So that way the amount is very insignificant.

Ranjit Kapadia: And the OmniChem JV in Vizag, when it is likely to be operational?

Mr. Krishna Prasad: OmniChem, the JV is ready to go for validation. All the qualifications have been completed

and we are just waiting for the CFO that is consent for operation from the pollution control board and there has been a little turmoil and the AP government here with the state split and there is a little delay and we expect that to be through by the end of this month and we should

start validations.

Ranjit Kapadia: And any delay in the pollution control board is due to additional equipment which they asked

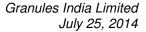
for or the procedural aspect?

Mr. Krishna Prasad: No, it is because the government is in turmoil. When the state split Andhra and Telangana, so

this Vizag factory falls under Andhra. The Pollution Board Committee is still not properly

formed. I think it should be done in the next few days.

Mr. VVS Murthy: The division of the teams have happened within the Pollution Control Board.





Mr. Krishna Prasad: The Member Secretary has not taken charge still and it should happen anytime.

Ranjit Kapadia: And this will start giving revenues from FY17 if I understood correctly.

Mr. Krishna Prasad: Revenues will start in 2015-2016, but they will not be significant. 2017, we will see a full-

fledged operations and profits will start coming in from 2017, decent profits.

Moderator: Thank you. Next question is from the line of Megha Hariramani from Pi Square Management.

Please go ahead.

Megha Hariramani: My question is pretty simple. How much growth are we expecting for next two years on topline

and bottom-line considering the overall picture?

Mr. VVS Murthy: Topline definitely year-on-year, we expect a minimum of 20% and bottom-line will be more

than 20%.

Megha Hariramani: So it is taking into consideration all the Auctus revenues and everything that we are expecting

from next year onwards and the margins are also going to be stable at 19 or anywhere between

17 and 19?

Mr. VVS Murthy: Margins we see inching slowly up as we go by.

Moderator: We have next question from the line of Ashutosh Thakur from Reliance Wealth Management.

Please go ahead.

Ashutosh Thakur: Sir just wanted to know what are the kind of revenues the current new acquisition as well as the

JV is contributing and what are the revenues you are expecting in next couple of years from

these two, the acquisition as well as the JV?

Mr. VVS Murthy: See, acquisition already we told you, 26.1 crores sales came from Auctus in the first quarter of

this year. We acquired this company only in February 14. February 14 to 31st March, we have got 7.3 crores approximately, in first quarter 26.1 crores has come and that would made EBITDA of 2.2 crores and net loss of 2.9 crores. And JV, we have two JVs actually. One is in China, Granules Biocause. Another is Granules OmniChem. Just now our MD explained the OmniChem production has not started actually. We are ready and we are waiting for the Pollution Control Board approval CFO to start the trial production. Granules Biocause about 31

crores sales has come our share of this month sales in this first quarter.

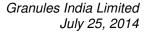
Ashutosh Thakur: Okay, your efforts to move more from API towards the FD, if you can just throw in short

explain how these acquisitions and the JVs would be helping you in the same?

Mr. Krishna Prasad: We as a company believe in vertical integration and any of FDs which we want to do, we

would like to have the source of API ourselves and Auctus acquisition is going to contribute to

a secure supply of APIs. Just like Dr. Prasada Raju was explaining a little while ago about 8





APIs that will be made in Auctus will be converted to FDs. We will be filing for ANDAs and we will sell them as FDs and with regards to the Granules OmniChem, it is a CRAMS business. So it is a separate line of business and that will not have any impact on our FDs.

Moderator: Thank you. The next question is from the line of P. Srihari from PCS Securities. Please go

ahead.

P. Srihari: My question basically pertains to the capacity utilization of finished dosages because at around

29% in the current quarter, could you please outline the reason for the low utilization?

Mr. VVS Murthy: 29% as on where from you got this number? Actually as we mentioned, it is Finished Dosages

is about 38% of the standalone sales.

Management: No, it is capacity utilization.

Mr. VVS Murthy: Capacity utilization is around 60%. I do not think it is 29%, 50% to 55%.

P. Srihari: Because around 1.3 billion on a capacity of 18,000. Is that right?

Mr. VVS Murthy: Around 18 billion is based on one single product. Based on the product mix, it will change. So

for this year, we are expecting around 60%-65% capacity utilization on a full year basis.

P. Srihari: So to put it in other words and what is the kind of growth and volume you would expect

through the year?

Mr. VVS Murthy: Volume compared to last year, the improvement FD quantities will be around 35% to 40% will

be there approximately, 35% at least.

P. Srihari: And coming to APIs. You are running at around 110%. Is there any expansion plan in the

pipeline?

Mr. Krishna Prasad: Yes, we have been debating. Our strategy team is working on it. So the whole concept here is

where to put all money in, in FDs or APIs or and of course the current APIs are running at 110% capacity, but the new APIs that is where most of our investments are going in rather than

invest more into current products like Paracetamol. So till that time investing into APIs.

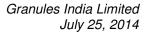
P. Srihari: So it will remain stagnant?

Mr. Krishna Prasad: That should remain stagnant or with operational efficiencies margin, we may increase a little

bit more like we have been doing in the past few years. Right now, we are doing at 110%. May

be next year we will do at 120% from the same plant.

P. Srihari: Would that be the optimal capacity or you can go even further?





Mr. Krishna Prasad: I do not know. We are working on it continuously. It is a constant improvement, but we may

even invest something going forward. Let us see where it takes us.

P. Srihari: And what is the guidance for Auctus current fiscal?

Mr. VVS Murthy: Current fiscal, we are expecting around 150 crores turnover in this year and margin of nominal

profit or breakeven the current year.

Moderator: Thank you. We have next question from the line of Girish Bakhru from HSBC Securities.

Please go ahead.

Girish Bakhru: Just wanted to check on Rifaximin, you said you got approval in Europe. So you are the only

one apart from innovator but you cannot commercialize this product right, can you?

Mr. Krishna Prasad: I think Dr. Prasada Raju will take this question.

Dr. Prasada Raju: Yes, it is one of the important strategic products for us. If we really see the kind of growth that

it is recording close to around 26%-27% globally, it has last INS figures are close to around 1.4 billion globally and out of which 650 million is coming out from US. This altogether intellectual property game and we have find ourselves well-placed in terms of understanding what kind of non-infringement proposition that we can create so that we can crack the market

and find a way to do the developments for formulation.

Girish Bakhru And you would do this by yourself or would you partner it with somebody?

Dr. Prasada Raju: While we move along, probably we may decide how we want to really get into the market.

Mr. Krishna Prasad: At some stage, we will have to partner with somebody because the intellectual game is not

cheap. We may have to do this at some stage. At which stage we will see.

Dr. Prasada Raju: Currently, we are just focused on the development aspect to protect ourselves.

Girish Bakhru: If I look at the US side, I mean I know Auctus is giving you lot of APIs but Granules per se has

not filed any DMF post 2007. Why is that?

Mr. Krishna Prasad: DMFs or ANDAs you are talking about?

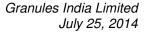
Girish Bakhru: DMF.

Mr. Krishna Prasad: DMF, Granules has only these traditional 4-5 products and for everything we have, DMFs filed

already and the new products are coming through the Auctus division now, a subsidiary today

but it is going to be a division when the merger happens.

Girish Bakhru: So basically all the new ANDAs will be from Auctus, right?





Mr. Krishna Prasad: That is right. All the new DMFs will be from Auctus. ANDA, the DMFs, the APIs are going to

be from Auctus.

Girish Bakhru: Right, that is what I am saying. So the new fixed dosage formulations which you would sell in

US will have API From Auctus.

Mr. Krishna Prasad: That is right and ANDAs will be filed by Granules. It is going to be one company finally and in

next few months it is going to be only Granules. They will be in Auctus.

Girish Bakhru: Right, I understand that. When you are basically going for taking market share on the finished

dosage side, what is the competing strategy against the established players?

Mr. Krishna Prasad: In generic side other than products like Rifaximin, it is all going to be numbers game and we

always believed in operational efficiencies and we believe we are quite cost efficient and we can compete on price and if you see one of our products today Metformin, we do a joint marketing with the partner and we have a fairly good share on the market. We have close to

12% of US market share already.

Girish Bakhru: In Metformin?

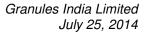
Mr. Krishna Prasad: In Metformin and all this is by sheer numbers. It is a price game finally.

Girish Bakhru: Right. How much would be the team size in the R&D?

Mr. Krishna Prasad: I will ask Prasada Raju again that to answer that.

Dr. Prasada Raju: As of now, we have a size of around 40 and very recently we have also included about 12

members in Vizag of the site itself as we know improvement has to happen on a continuous basis to avoid any kind of a cost containment and add value to the customers with value proposition both of supply, quality, and also competitive price. So as of now, we have close to 40 member team and we have plans to increase the number going forward in the coming quarters, and we have opened up a separate research and development center. Last call our MD was also explaining, we have started a separate process research and development center, Granules Research Center in Hyderabad. The team is dedicated for API development both on process efficiencies for existing Auctus products, are also preparing ourselves for the future by adding new products in the portfolio. And we also do have dedicated technology development center as you understand if you want to really play and secure a decent market share, you have to be self reliant and cost is the key aspect. So we would want to really bring synergy between chemistry and engineering. For the last two years, we have been extensively working on some of the platform technologies in one of our research centers located at Pune. It is purely a technology development center. Primarily the chemistry development happens in Hyderabad. For identified products, technology development happens at Pune.





Moderator: Thank you. We have next question from the line of Lakshminarayanan from Catamaran. Please

go ahead.

Lakshminarayanan: I have couple of questions. First, regarding our debt level at the consolidated if you can just let

me know what is the long-term debt and the short-term debt you have as on end of June. And the second question is in terms of capital expenditure, you had mentioned, correct me if I am wrong, is 75 crores, I just wanted to understand between your various plants where the CAPEX is going to be sent. Third question is between our various locations which is Bonthapally, Jeedimetla, Jingmen, and Gagillapur. What is the revenue we get from these four locations and the last question is if you can just help me understand what is your revenue from top 5

customers and top 10 customers?

V. V. S. Murthy: Long-term loans as on 30th June is on consolidated basis including payable in next one year is

327.52 crores and working capital loans are 116.68 crores. Total long-term liabilities including

short-term working capital is 444.2 crores.

Lakshminarayanan: And what is our guidance for the next two years and what will be our debt levels going

forward? We are in FY15 so till FY16 what will be your debt level?

V. V. S. Murthy: See FY15, another 40-45 crores may increase maximum. Next year right now, we are not

planning any further debt. Whatever CAPEX we are thinking of, it will be met from internal accruals. Only if we have any very big opportunity for any acquisition or any new big CAPEX is required for any setting up a big unit, at that time you may have to take a debt but we have not decided anything on that. Normal CAPEX and up to one small one unit up to say 40-50 crores we can meet from our internal accruals. Regarding CAPEX you are asking, we will be

spending about 27 crores in this year in Auctus and balance will be in Granules India plant.

Lakshminarayanan: Which is 75 minus 27?

V. V. S. Murthy: I said 75 to 100 depending on the timing. When we are going to start this one, probably we may

not be able to spend total amount before year end itself. That is why given the range actually.

Lakshminarayanan: What is the maintenance in this and what is the fresh CAPEX?

V. V. S. Murthy: About 30 crores will be maintenance CAPEX, balance will be for a new capacity creation in

Granules.

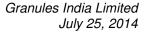
Lakshminarayanan: And apart from Auctus whether the CAPEX will be in Jeedimetla or Gagillapur or Bonthapally,

where exactly this would be?

V. V. S. Murthy: Capacity increase will be only in Gagillapur. Other places more of safety and pollution related

and environment related expenditure, not for capacity expansion. Capacity expansion will

happen only in Gagillapur.





Lakshminarayanan: Got it. Sir and what is your concentration of customers – top 5, top 10 and top 20 if you can

just give some light on that?

V. V. S. Murthy: Top 10 customers around 70% turnover comes from them and no customer is doing more than

20% revenue anytime. It is anywhere between 10%-15% max in general.

Lakshminarayanan: And I understand that there is a capacity utilization question that was asked. Now between in

China where we make the Ibuprofen, is the capacity utilization almost 100%?

V. V. S. Murthy: Yes, full capacity. We are almost at full capacity

Lakshminarayanan: And are we planning to increase our capacity there in Jingmen by any chance?

Mr. Krishna Prasad: Not sure, again like I said we are trying to assess where to put the money in, wherever gives

maximum benefit and Jingmen, the main reason for the JV is to have a secure source of supply and at this point of time, our FDs do not meet the full capacity and just to make API and sell

outside, I do not think it is worth expanding. They may not expand in the short run.

Lakshminarayanan: From our entire revenues, is it right to say that all our revenues come from our own DMFs or is

that anything which we do on a toll manufacturing basis where we just take the conversion

charges or is it 100% our DMF?

Mr. Krishna Prasad: DMFs are all ours and ANDAs we use a few site transfers from other customers, but these are

not job work or conversions. These are just outright sale, but we use their ANDAs for some

customers.

Lakshminarayanan: I was just trying to understand broadly from our own proprietary stuff which is either DMF, I

mean from the entire revenue of us, how much would be the split there we would actually do

by and large our own stuff where we actually take ANDAs from someone else?

Mr. Krishna Prasad: I think the ANDA question comes up only in FD. It will be a very small percentage from

others, may be 15%-20%. The rest are all our ANDAs.

Moderator: Thank you. Next question is from the line of Ranjit Kapadia from Centrum Broking Limited.

Please go ahead.

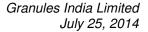
Ranjit Kapadia: My question relates to Rifaximin, have you got a dedicated facility for this and can we

manufacture any other antibiotic in that facility?

Dr. Prasada Raju: As of now, it is a dedicated facility because of two reasons. One is primarily we are using it as

a combined based product. Second one is if you really look at the nature of the product, it is fully I would say reddish color product. We are operating Rifaximin in that particular box. It is

most unlikely that you can manufacture anything. So by default it is a dedicated block.





Mr. Krishna Prasad: But mainly to answer your question, it is not like a Cephalosporin, you do not need a dedicated

facility for this. Except for the color, you could make it in a multipurpose facility.

Ranjit Kapadia: And any other antibiotic can be made in this facility?

Dr. Prasada Raju: As of now, we do not have a plan, but we have also shortlisted two highly promised products

from antibiotic range. Once again, it is not Cephalosporin antibiotic range. More of

Fluoroquinolones could be second generation or may be third generation basket.

Ranjit Kapadia: So this is Fluoroquinolone, Rifaximin is a quinolone?

Dr. Prasada Raju: Rifaximin is a macro product, macro molecule.

Ranjit Kapadia: Macro light.

Dr. Prasada Raju: Yes, it is a macro light. It does not come under Cephalosporin basket.

Moderator: Thank you. We have next question from the line of Prashant Kapse from Mehta Equities

Limited. Please go ahead.

Prashant Kapse: One small question was you said you would like to look at some acquisitions going on forward.

Are there any on cards right now?

Mr. Krishna Prasad: Nothing serious or nothing active. We always keep looking at things.

Prashant Kapse: That would be on the API or FD, something like else or anything would be worked out?

Mr. Krishna Prasad: We are looking at FDs.

Moderator: Thank you. Next question is from the line of P. Srihari from PCS Securities. Please go ahead.

P. Srihari: Could you please give us a breakup of Auctus Pharma sales in terms of APIs and intermediates

and what was the mix prior to acquisition?

Dr. Prasada Raju: About more than 80% was intermediate and 20% was APIs prior to the acquisition. Now it is

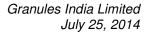
exactly reversed. We are trying to exploit it on API manufacturing. They will then restricting

ourselves to intermediates while we try to exploit it on existing opportunities.

P. Srihari: So this 26 crores approximately, only 20% gives on intermediates.

Dr. Prasada Raju: Yes, that is right.

P. Srihari: And what was the CAPEX incurred on this model that we set up in Gagillapur?





Mr. VVS Murthy: It is being set up right now. There is a new PFI module that is being set up and it should be

anywhere from 16 crores to 20 crores.

P. Srihari: And that would add how much capacity?

Mr. VVS Murthy: About 3,000 to 4,000 tonnes of PFI.

Moderator: Thank you. We have next question from the line of Lakshminarayanan from Catamaran. Please

go ahead.

Lakshminarayanan: Just I have few questions. One is what is the breakup by Paracetamol, Ibuprofen, and

Metformin for this quarter right now?

Mr. VVS Murthy: Paracetamol group is giving about 47%, 30% is coming from Metformin, about 10%-11% from

Ibuprofen and other balance is from other small products like Guaifenesin, Methocarbamol, and

Naproxen etc.

Moderator: Thank you. Next question is from the line of Jinal Fofalia from AlfAccurate. Please go ahead.

Jinal Fofalia: Sir I was just looking at Auctus losses that you said that you have made in loss of 2.2 crores.

Could you just tell me breakup like what is the depreciation there?

Mr. VVS Murthy: Depreciation is 1.3 crores in that.

Jinal Fofalia: And any other costs incurred?

Mr. VVS Murthy: Like?

Jinal Fofalia: In Auctus.

Mr. VVS Murthy: Cost incurred.

Jinal Fofalia: Yes.

Mr. VVS Murthy: So what type of cost you are talking?

Jinal Fofalia: Any raw material costs.

Mr. VVS Murthy: No, without that you cannot produce and sell. Raw material cost, all things are there.

Depreciation 1.3 crores is there and net loss is there 2.8 crores. In this, deferred tax asset is 1.3

crores.

Jinal Fofalia: How much sir deferred tax asset?

Mr. VVS Murthy: 1.3 crores. It means profit before tax minus 4.2.



Granules India Limited July 25, 2014

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand

over the conference back to the management for your closing remarks. Over to you sir.

Mr. Krishna Prasad: So this has been our second con-call after the results and I thank you all for your time and look

forward to meeting all of you again after the next quarter results.

Moderator: Thank you all. On behalf of Granules India Limited that concludes today's conference. Thank

you for joining us and you may now disconnect your lines.