



J. B. Chemicals & Pharmaceuticals Ltd.

"J. B. Chemicals & Pharmaceuticals Limited

Conference Call"

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MODERATORS: MR. PRANABH MODY – PRESIDENT & WHOLE TIME

DIRECTOR, JB CHEMICALS & PHARMACEUTICALS LTD.

Moderator Ladies and gentlemen, good day and welcome to the J. B. Chemicals & Pharmaceuticals Limited Conference Call on sale of Russia/CIS OTC Business. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference, please signal an operator by pressing * and followed by 0 on your touchtone phone. Please note that this conference is being recorded. We have with us today on the call, Mr. Pranabh Mody, President and Whole Time Director. At this time I would like to hand over the conference to Mr. Pranabh Mody. Thank you and over to you sir.

Pranabh Mody Good afternoon everyone and thank you very much for coming onto the call. I think this is a historic moment for J. B. Chemicals & Pharmaceuticals Limited and what I intend to do today is share a little bit on the transactions that we have signed up and then we will talk in terms of a little bit on the future plans.

Basically as you are all aware, J.B. chemicals, we operate in three business units. One is our Russia and CIS business unit, the rest of the world and the domestic business unit. Now for our Russia and CIS in these markets we have two verticals where we have our OTC products and our prescription products. The deal that we have signed with Cilag, which is a 100% sub of Johnson & Johnson involves the transfer

of our OTC products. These include the registration, trademark, patent, the receivable of the Russian market, the inventories of the OTC products. This will get transferred to Cilag. For an overall consideration of about 1,160 crores. This consideration is going to be in two parts. There is about close to \$.47 million of consideration which will go into our Russian subsidiary which is the 100% sub of the company for the sale of the inventory, and the receivables and the balance close to about 960 odd crores which will come into the Indian company. Roughly this OTC business for Russia and CIS is about \$.67 million.

On a total sales of Russia and CIS is of about \$.19 million. Therefore the balance sale that kind of remains behind with us, which is the Rx fees, which is the prescription fees which will be about close to \$.22 million to \$. 23 million which we will continue to operate in. So effectively really we are looking at a multiple of close almost reaching for on our revenues that has been offered for this particular deal. Another way how we look at it, in terms internally is that. We believe that has been an excellent opportunity for the company to unlock the share holder value. What we did as I said, we have offered close to about 67 million which is close to 300 crores business on a total consolidated sales of about 872 crores. So effectively what we are saying is that, 435% of our business, the consideration that we are going to get against that is close to the market cap that we enjoy as of today. So that's where we believe that this deal has been historic in terms of unlocking shareholder value for J.B. chemicals.

The deal will take about 60 days to close. There has been normal customary regulatory closing conditions that need to be fulfilled. And post the closure of these conditions money would be expected to come into the company. Almost the entire portion will come as a single payment both in my Russian subsidiary as well as in India and a small portion of it will remain in Escrow for the period of 15 months. So that's a little background on the deal. What do we intent to do with the money? Clearly the remaining part of the business is our domestic business which will be close to at 300 crores and which has been growing about 15% in the year that just got concluded. The rest of the world business which will be close to another – its about 28 million and the balance Rx piece which will be about 22 million to 23 million. Now one more thing along with the deal we signed a supply agreement with Johnson & Johnson for the next five years. And we will continue to supply to them for a five years period. Obviously the margins are going to be on cost plus basis. We will not get the marketing margins that we today are enjoying, but against that all the marketing costs and expenditure etc will also move back to Johnson & Johnson.

One more good thing that is going to happen is as you all know that Russia outstanding usually gets into the 242, 250, 260 days cycle as against that my supply agreements will come to about 45 days to 60 days cycle. So that again in terms of the balance sheet it will eliminate total whatever debt is there on the books, whatever little backing credit their on the books. And at the same time, we have capital that makes my company in a extremely strong financial position.

Now coming back to the what, we are able to do from the money, clearly we will focus on our domestic markets, currently we have about 800 representatives covering the market. We will need to grow that to a significant level. The entire contract manufacturing opportunity get kick start with Johnson & Johnson being my customer. And those are opportunities which we will explore going forward. We will look at in licensing opportunities as in when they come. I am not so sure in terms of acquisitions at this time because the asset value for assets in India, these are highly priced. So really the cost benefit of that needs to be looked at. One thing is clear that we will remain in the pharma space. We will not look at getting out of the pharma space. We will look at rewarding share holders. I think that's in the company policy, we have always taken care of share holders, our dividend policy etc has been fairly good to the share holders and I'm sure one the board gets together they will consider whatever is necessary to reward share holders as well. So that's a brief description about the view that has been taken. At the high level what are the plans in terms of the use of proceeds and again as we get into more details we will have more clarity but I think its still early days. And we are looking at about 90 days in which we will have some level of plans that will be concluded and as these plans get finalized, we will share it with each one of you. So that's a small background. I think we will open up to questions and answers. Whatever questions if anyone has we are glad to answer.

Moderator Thank you sir. Our first question is from the line of Dimple Seth from SKS Capital & Research. Please go ahead.

Dimple Seth Sir your domestic business as you said is at Rs.300 crores this year, that is it has grown by 15% Y o Y. Sir what is the growth ahead are you seeing for domestic business in FY12-13.

Pranabh Mody If you look at domestic, the overall market is also growing by about 15% which we added feet on the ground and the expansions that we are looking at, obviously we will be targeting a growth much higher than the industry growth. At this time as I said, we have got 800 people. There has been an expansion of about 200 people at least up to now from last year. And as we grow that, I think getting to 20% plus growth should not be too much of a challenge.

Dimple Seth And sir for the rest of the world, market what is the expected growth you are seeing.

Pranab Mody We will look at another 15% to 20% growth in that. That market continues to grow at that level and we should be able to maintain that.

Dimple Seth If you can me EBIDTA margins as in the domestic market and in Russian business?

Pranabh Mody We do not share the EBITDA margin on that split at this time. We are only sharing the revenue numbers.

Dimple Seth Okay sir going on what kind of contribution are you seeing from CRAM business?

Pranabh Mody CRAM business will be about a 15% to 20% margin business. The only good thing about it is in terms of it doesn't require too much of marketing efforts once you have got the contract in place.

Dimple Seth What has been your current revenue this year form CRAMS.

Pranabh Mody Within close to \$.10 million.

Dimple Seth okay sir. Sir your tax would remain constant or is there any change in that?

Pranabh Mody Tax rate will go up. We had couple of EOU plants which are based on the government notification those tax benefits has gone down. So we expect tax rates to go up a little.

Dimple Seth Sir currently it is around 15%?

Pranabh Mody Current year, it falls under the MAT next year it would be higher than that.

Dimple Seth So sir what is the percentage you can quantify around?

Pranabh Mody It would be 26% to 28%.

Dimple Seth Sir definitely your margins will get hurt, like currently we are enjoying the margins of around 21%. So there would be also pressure in margins So by what basis points are you expecting a hurt in your margins.

Pranabh Mody We are expecting some margin hit, but at the same time once the new revenues start kicking in, we hope to try and recover that margins. But we will expect 3% to 4% drop in the margins. I think because the Russian business, even though we don't share EBITDAs being the most profitable business for the company. So there will be definitely a margin erosion. I'm assuming at this time the statement is without taking into consideration, any financial revenues that we get against this consideration that's not being considered in while making this segment.

Moderator Thank you. The next question is from the line of KC Suri from Span Capital. Please go ahead.

KC Suri Okay just philosophically speaking I mean, you guys been there for 20 odd years. You guys been doing fantastic, you have a brand which is well known all across the region as most trusted brand year after year. Was it that we lacked the capability to take the business to the next level or do we foresee situations which are beyond our manageable level?

Pranabh Mody We build these brands over a period of time. We brought them to a level but I think taking it to the next level requires a high amount of investment. As you know that the overall Russia piece contributes close to almost 50% of our business. And in the OTC business, you need to support it with heavy advertisements. Just to give you an example, last year my Russian television advertisement budget was close to about \$.10 million. And as you support the brand, it has its impact on the financial results on the business that we project here. So it was kind of we were walking a fine line trying to protect the brand in the market place and also trying to protect our financial results on a year on year basis. And that fine line we realized is sub optimal for the brand in the long terms and hence we decided to venture down this path

KC Suri Okay and when you spoke about this contract manufacturing revenues of \$.10 million which you had, those are essentially what are those for?

Pranabh Mody We do certain Lozenges manufacturing. We do certain work for our South Africa sub. Where we actually manufacture the products of those companies in India and supply it on a sustain basis. So we don't any marketing efforts associated with that. It is more likely the way I would like to look at, it is the services business in IT space. We basically provide services, it's the customer's products.

KC Suri And this five year contract with J&J, what kind of revenues can this accrue to you?

Pranabh Mody This would be in the range of about \$.15 million to \$.20 million that we should generate out of that and obviously we are looking at once J&J gets into it. We would expect to see handsome growth in the business because in terms of, hopefully they will invest lots more than what we been able to invest. And the supply agreement should only grow, volume should grow over the period of time.

KC Suri- 15 million per annum is the run rate which is doable at least. I mean on the current level also it would be doable right?

Pranabh Mody It will be more than that.

KC Suri And now just coming to the other business, your Contrast Media business. How big has it that come now and where is it right now ,what's the game plan for that?

Pranabh Mody Okay so Contrast Media in the domestic market is about 22 business. At the same time Contrast Media is also sold in the rest of the world where products where we got registrations. The rest of the world at this time because, most of the registrations are recent but we would have about \$.3 million revenue in rest of the world and about 22 cores in the domestic market.

KC Suri And how big it can just become say in the next three years?

Pranabh Mody This is an area we are looking at. Recently we won the license of a product called DEFINIT Lantheus Medical. So we will look at more interesting opportunity to grow that this way.

KC Suri Sir and just for in the licensing, do you have any therapeutic area or kind of an application which you want focus on say more on the Contract Media side or is it just open to anything to everything which you could think you could just market.

Pranabh Mody As long as it fits with whatever the doctor group we are visiting, if it falls within that category, yes we will look at it. At this time I don't think anyone, we wouldn't look at in licensing for areas where are reputation or the relationship with the customer is not adequate. So it will be related to our current relationships

KC Suri Okay if I look to three years down the line, this Rs 11,00 crore would it be there, would it be deployed and what would be the business mix like, how much you think percentage price with the India, with rest of world and CIS.

Pranabh Mody Too early to answer. I think we are just digesting the fact this is come in. Give us some more time and we will be able to answer this in a little while. I don't think at this time it would be fair for me to speculate a guess on this.

Moderator Thank you. The next question is from the line of Chirag Dagli ICICI Securities. Please go ahead.

Chirag Dagli Two questions, one on the ROW business if you shed some light on, which markets are these do you have your own field force. Is the portfolio very similar to what you sell in India?

Pranabh Mody ROW is the generic business that we do. So basically we prepare the dossiers and submit it and in turn try and get them. In most of these markets we are working with distributor sales men. In some markets we have got own sales people like South Africa, Uganda, Vietnam, Kenya but otherwise it predominantly working with distributors. These are our own brands that we have registered in the market and they market it for us. Now in part of the ROW business, it is the contract manufacturing that I talk to you about where we looking at about a \$.10 million kind of revenue. And slowly what we are seeing is in terms of the ROW business. It makes more sense to push the contract manufacturing piece than create our own dossiers and products. Because that business becomes more sustainable, more reliable. So that's really the plan as far as the ROW. Big markets for us will be the South Africa. We are

getting into some of the markets like UK and Australia. Brazil is a new entry that we have recently got into.

Chirag Dagli South Africa, UK, Australia, you are saying from a contract manufacturing perspective is it?

Pranabh Mody Yes.

Chirag Dagli Okay you will look for other generic players there and you would manufacture for them?

Pranabh Mody We would manufacture for them. We see that as the more sustainable business.

Chirag Dagli Okay so that's also on the India, if I look at your India business more than 85% of your India business comes from the top 20 brands. Is this likely to change over the near term, would we have more products, which therapies, have we identified these therapies?

Pranabh Mody Yeah currently we have four divisions. One is the main division which has close to about 650 odd people. Second is the, what we used to call the ____ 21.25 division, we have renamed it as J.B. division which is about 150 people. We are launching a division in June, which is a new division that we have created. Which caters to the dentists and the gynaecologists. So that's a new division which will start of, in the month of June and the last one is the contract media. So all put together we would be close to about 800 people. 800 is fairly small compared to most of the players. I think we will need to increase our focus presence investments in these markets. And market is good, it's growing at 14%. That's what ORG shows. It needs to contribute significantly larger to the overall company's portfolio.

Chirag Dagli This launching of new division in dentist and gynaecology, do we have products here approval already ?

Pranabh Mody Yeah all those products are in place. There is a large group of products, which we will introduce.

Chirag Dagli So this will happen over the next two years?

Pranabh Mody Yeah if launch is happening next month and we will continue to grow it. We are starting off with about 100 representatives in a few select areas and we will gradually grow that business.

Chirag Dagli So this itself could actually drive growth from....

Pranabh Mody These things have to drive growth because these are really the newer opportunities that the company has. The regular growth of about 10% to 15% will come from our regular operations. I think these newer opportunities will be able to give the kicker on top.

Chirag Dagli And your existing brands you think 10% to 15% kind of growth is alright?

Pranabh Mody Yeah, I will be very comfortable.

Chirag Dagli Sir anything that you are looking at in terms of contract manufacturing for innovators or something like that or do you think generic contract manufacturing is what you...

Pranabh Mody We are looking at this generic but its more in terms of certain dosage forms. I think our sense are in the lozenges manufacturing in the injectable space. So we will initially enter through these two niches and then slowly expand into other dosage forms.

Chirag Dagli Would we need substantial CapEx to be done in injectables or?

Pranabh Mody This time our capacities we have some but if this opportunity grown definitely we will have to think of investing some money. So that's one of the plan in terms of some of these money that come in. We may have to invest further in CapEx.

Chirag Dagli So as of by when do we find clarity and terms of, you taking a decision of.

Pranabh Mody Six more months.

Chirag Dagli Six more months you will decide how much money you need for instrumental business?

Pranabh Mody No – no, six more months we will clarity in terms of what we will do with the money that we have.

Moderator Thank you. The next question is from the line of Shika Jalan from Smifs Securities. Please go ahead.

Shika Jalan My question is regarding your growth plan in the domestic business. Now that we exited our cash cow segment what is our focus, how will our focus be on the domestic front and keeping in mind there are competitors already here.

Pranabh Mody Yeah we not fully existed the cash cow which will enjoy there is about 22 23 million on the Rx piece Lozenges we have. That will continue to grow. On the domestic, yes competition is there. I think, since the market itself is attractive, we believe that if there are good possibilities of managing growth. I think as I have indicated based on our regular business 15% and with all that additional investments, adding a portion about that should not be too difficult.

Shika Jalan So right now med reps are around 800 in domestic funds any target by this year and we will have this many med reps and having made new trajectory or growth plan in place to play ourselves in the domestic fund?

Pranabh Mody My target would be to get to 1500 by March 2012. Having said that, it's a challenge. Med reps today attrition, etc., at that level is extremely high. So this is going to be a challenge but that's what the internal target we are looking at.

Shika Jalan Okay, any quick idea on the average revenue from individual Med-rep?

Pranabh Mody Each of the businesses would have different averages. Our main division would be about Rs.4 lack rep/month. The new division, the J.B. division is about Rs.1 lack rev/ rep per month.

Shika Jalan You said, you are rewarding shareholders from that 1100 crore cash which we will have. Any hint on when will it happen?

Pranabh Mody Once let the money come in, the board will definitely plan what needs to be done there.

Shika Jalan Okay, so in March quarter itself we will have a 30% hit on the top-line kind of impact and what will be the impact on the bottom line?

Pranabh Mody There will be some margin erosion as I said the marketing cost will also disappear. Marketing people, employment cost for Russia, all of that will disappear. So there is going to be some impact. It could be about 3% to 4% impact on the profit.

Shika Jalan That's on the operating level, right sir?

Pranabh Mody Yeah.

Shika Jalan And what kind of impact we will have on the bottom line, say in foreign currency exposure will also be reduced. So?

Pranabh Mody I really don't have an answer for you right now.

Shika Jalan No problem I will take that offline certainly. Thanks a lot sir.

Moderator The next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.

Ranjit Kapadia My question relates to Lozenges and injectables can you share the capacity currently and what is the utilization level and if you have to do CapEx, how long it will take to put the additional lines to this facility?

Pranabh Mody Capacity of my Lozenges plant is about 75% to 80% on a single shift basis. On the injectable in the large volume parental the capacity is fairly high but the small volume capacity there is the adequate capacity that is available. In terms of lead time to get a plant up would be about 18 months is what we envisage. As you are aware we have already acquired some land in the SEZ and just waiting for more governmental clarifications and once there is clarity on that, maybe we would look at starting something up there, again subject to the governmental clarification.

Ranjit Kapadia And that will be Lozenges and injectables or tablet, capsules also.

Pranabh Mody No, tablet and capsule currently is at the plant that we have in Panoli. Reasonably there is enough capacity and we start working double, triple shift, we can meet the capacities for the next two years. There is some small expansion anywhere planned within the plant where we have certain equipments etc. for automation and speeding up the processes. So that all is routine CapEx that continues to happen.

Ranjit Kapadia: Any expansion on our API front?

Pranabh Mody: No on the API, we will not be doing anything.

Moderator: Thank you. The next question is from the line of Bhavik Mehta from Girik Capital, please go ahead.

Bhavik Mehta: Sir thank you for taking my question. Sir the one question that I had was the Russian operation that we sold off were contributing around 35% to our revenue. So in the present year do we have any plans and place to bridge the gap that is going to take a hit on the top-line.

Pranabh Mody: The plans are which were already as a part of my budget exercise which are normal growth that we look at for all the businesses. So those are the only plans that today I have in place. If you ask me that 300 crores, I will get some amount of it from the contract manufacturing piece but if you ask me how I am going fill up the balance 200-250 crores. No, I don't have a plan.

Bhavik Mehta: So there is going to be hit on the margins in the first year itself right, on the top-line right?

Pranabh Mody: On the top-line definitely.

Bhavik Mehta: There will be a hit of at least 30% hit on the top-line?

Pranabh Mody: Yes, may be a little less but there will be a hit.

Moderator: Thank you. The next question is from the line of Meeta Shetty from Dalal & Broacha, please go ahead.

Meeta Shetty: Just wanted to check if you can give us more clarity as on how many number of products are we planning to launch in the domestic market and are we planning to enter another therapeutic area or if I can have some more clarity on that?

Pranabh Mody: See normal the existing division which are there we look at about three to four launches every year. The entire as I indicated the gynaec and dental division all the products that are going to get introduced there will be newer ones. So effectively whenever a division comes if it is entirely new and in the existing divisions 3-4 product launches on a yearly basis.

Meeta Shetty: So can I assume at least 10 products in FY12 can be assumed?

Pranabh Mody: Just the new division itself will have more than 10 products.

Meeta Shetty: Okay so roughly there 15 products this year. And you mentioned that your Russian business still has restriction side of the revenues. So can you place some clarity on what therapeutic areas are they into?

Pranabh Mody: Yeah we have a wide range of products. MetroGel Group continues to be a large contributor to the Russian RXPs. So MetroGel is there, then we have sort of other products like the Contrast media in some territories, there are products which are antibiotics, a few hypertensive products. So it is mix of multiple products.

Meeta Shetty: And how do you see growing in future?

Pranabh Mody: That helps in growing reasonably well. We expect a 10-15% growth on year-on-year shouldn't be too difficult.

Meeta Shetty: If I see that your CRAMS business is currently 45 crores and you will be doing at least roughly 100 crores from J&J. So if I effectively do a rough cut assumption, at least 25% would be coming from CRAMS for FY12?

Pranabh Mody: Roughly probably yes.

Meeta Shetty: So do you see that remaining 25% because you have been talking a lot of CRAMS.

Pranabh Mody: We will look at growing that business.

Meeta Shetty: So can I assume that it will become 30-40% of your business in the next two years or something like that?

Pranabh Mody: Yes next 2-3 years that will be the target that we will look at.

Meeta Shetty: So 40% of your business coming from CRAMS in the next two years?

Pranabh Mody: Yeah about 35% would be more accurate.

Meeta Shetty: And just lastly what is the tax you are going to pay on the cash payment that you have received.

Pranabh Mody: It will be the part which comes through as part of buying my inventory and receivables there will be no tax on that. The balance would be to a slump sale which I think is that 22.66%

Moderator: Thank you. The next question is from line Arpit Ranka from Tactica Capital Management, please go ahead.

Arpit Ranka: Just a couple of questions pertaining the transaction, one you said that a small amount has been parked in the escrow account which would be payable 15 months down the line. Could you quantify that?

Pranabh Mody: That would be about 15% of the transaction.

Arpit Ranka: 15% of 960 crores?

Pranabh Mody: No, 1100.

Arpit Ranka: Secondly you said that the time that we could see for the closure of the deal is about three months

Pranabh Mody: Yes, 2-3 months.

Arpit Ranka: Do you see any delay happening on that front or you are fairly confident that you should be able to close the deal by that time?

Pranabh Mody: here are certain preconditions that are there in the agreement we need to go through that. We, at this time, don't foresee any such because most of them are controllable, couple of them are regulatory in nature which again we hope should happen within 60 days.

Arpit Ranka: Sir just one more question. On the acquisition front you said that the domestic space is like fairly valued restricting opportunities for M&A but do you see the same situation globally as well or do you think money can be deployed in strategically acquiring assets abroad?

Pranabh Mody: Yeah we would look at what we did in our South Africa acquisition about I think two years back. Basically we invested in a company which is front-end marketing company that is something that those kind of opportunities, we would look at where we can get front-end entry into certain markets and continue to do the back-end manufacturing in India that will continue to be our overall strategy.

Arpit Ranka: Yeah but we do not plan to move out of our core area of pharma?

Pranabh Mody: Yeah.

Moderator: Thank you. The next question is from line Arpit Agarwal from Barclays, please go ahead.

Arpit Agarwal: My question is basically, there were some reports that you were looking to invest in a pharma SEZ, just wanted to know your thoughts on the same.

Pranabh Mody: The family at the personal level had invested in a pharma SEZ, the company has invested in buying land in an SEZ. I think just now at this time at the SEZ rules being unclear; we have put those plans on hold in terms of starting the construction. So the company has not got into any pharma SEZ, it's only that we have invested in a land in an SEZ.

Arpit Agarwal: But would you know, since you got this large cash pile which has come would now when you look at investing some amount of that money into the SEZ?

Pranabh Mody: No. Clearly that is not the plan. That is not our priority area for the company.

Arpit Agarwal: Just wanted to know what would be the tax be on the amounts received, full tax would be paid on the amount?

Pranabh Mody: No it is about 22%.

Moderator: Thank you. The next question is from the line of Umesh Matkar from Major Trend Financial Services, please go ahead.

Umesh Matkar: Sir will you be concentrating on other markets such as US by filing ANDAs in the future as such.

Pranabh Mody: No, US what we have done so far is we had invested in these US markets last 4 to 5 years as we really not been able to encash the value on that but now when we look at the US markets we will look at it in terms of partnership with certain companies where they fund the development of the ANDAs and we move it into a back-end contract manufacturing opportunity. We will not do investments for the US market.

Umesh Matkar: Sir will you be paying off debts from this current transaction ?

Pranabh Mody: Yeah, obviously with this money why would we have any debt on our books? There is more than enough to take care of that and in anyway our debts portion is extremely small.

Umesh Matkar: And sir, just last question can I get FY11 geographical breakup of sales.

Pranabh Mody: I think why don't you contact us, we will provide that.

Moderator: Thank you. The next question is from the line of Bhagwan Chaudhary, from India Nivesh.

Bhagwan Chaudhary: Hi, sir I have just two questions one is according to some reports, there was an earlier statement from the management side that the management is planning to expand their field force by 2000 in FY12. Is that correct?

Pranabh Mody: That was the plan, I think once we started implementing the attrition rates that I talked about earlier that plans has been revised downwards. We will look at more like 1500 targets towards the end of 2012. Yeah that was the earlier statement that we had made but once we started the roll outs, the attrition, etc., we realized that it is a toll order.

Bhagwan Chaudhary: My question is first selling out the assets, collecting the money, and then management down the line will decide what to do with that. So I can conclude the two things either it is the management incapability, means somewhere fault in the management of that operations or the opportunity what you are getting now will not be there after the six months or one year down the line.

Pranabh Mody: This whole transaction is an opportunistic, when opportunity came across we grabbed it. We believe that it helps unlock value for our shareholder, we executed that. Having said that there is no point in terms of waiting till I have a master plan ready to where I want to invest the money and then look out for opportunities I don't think it works that way. As and when opportunities comes you take it and a receipt means a six months you will have to wait before we can find out what we are going to do with the money. I would rather have that problem than the other problem.

Moderator: Thank you. The next question is from the line of Rajesh Vora from New Horizon Investments, please go ahead.

Rajesh Vora: Just a quick question, you mentioned about the likely decline in EBITDA margin of about 3-4 percentage points, so if you look at the current margins are about 19-20%.

Pranabh Mody: Correct.

Rajesh Vora: So you mean 3-4% lesser than that for the full year basis going forward is what you imply?

Pranabh Mody: Yeah that is what it looks like at this time.

Rajesh Vora: Okay and without specifically getting into the utilization and the amount of cash is it possible for you to give an idea, I mean there is investment required in terms of adding to field force which are recurring in nature. I mean would that be an appropriate option in terms of brand acquisition, company acquisition, in the domestic branded space. You already mentioned about the overseas South African type of front-end company, so on the domestic front what are your thoughts, I mean no comment on the numbers or what are your thoughts?

Pranabh Mody: I think eventually it will come to make versus buy whenever we look at these decision and if we take examples of deals that have kind of happened in the past and looking in multiples of 5, 6 and 7. I don't think and knowing my board Mr. D.D. Chopra, Mr. Bansi Mehta, etc., they are never going to allow me put in that money behind those kind of opportunities.

Rajesh Vora: And neither do your co-shareholders

Pranabh Mody: There you go.

Rajesh Vora: Any way you haven't got that much money selling ratio in business as multiples.

Pranabh Mody: It will always go down to make versus buy and I guess good sense will prevail on everyone.

Rajesh Vora: And also considering the fact that there are far and few deals happening at a realistic number and they is hardly any seller also, I mean if you look at last year, 2-3 also only few mega deals have happened otherwise it is pretty much a dry situation.

Pranabh Mody: Right. So we have a challenge in terms of utilizing our money.

Moderator: Thank you. The next question is from the line of Bhavik Mehta from Girik Capital, please go ahead.

Bhavik Mehta: Thanks for taking my question again. Sir can you just throw some more light on the Johnson & Johnson contract that you entered for 5 years, can I get the values in terms of revenues and margins that you are going to generate from this business.

Pranabh Mody: It is going to be supply agreement which is at a cost plus method as I indicated close to about between \$15-20 million worth of revenue. Margins at this time we won't be able to share, we have gone by confidentiality but generally it is a \$15-20 million business. And I am hoping they grow the business in Russia say once they have invested in it and we would get more opportunities coming in. I guess even once we start delivering into Johnson & Johnson, they do have a fair amount of outsourcing. So our job will be to see what we can do to grab more shares of wallet sales from them.

Bhavik Mehta: This contract is basically four direction region where you have sold out the business to Johnson & Johnson and you will be supplying goods to them for the next five years.

Pranabh Mody: Yes.

Moderator: Thank you. We have a follow-on question from line of Dimple Seth from SKS Capital & Research, please go ahead.

Dimple Seth: Sir in your initial comments you have said that the ROW market contributes 28 million does that also include the contribution from CRAMS of 10 million around.

Pranabh Mody: Yes.

Dimple Seth: Okay and sir when are you thinking that the EBITDA margins would get back to normal at around 21%.

Pranabh Mody: My hope is that is that if we can get it done in the next financial year, I think that would be a great achievement by the company.

Moderator: Thank you. We have a follow-on question from line of Chirag Dagli from ICICI Securities, please go ahead.

Chirag Dagli: Sir just trying to understand you said you would double your field force from 800 to roughly 1500 and then trying put that in context of the 15% kind o growth that you are forecasting.

Pranabh Mody: It will be more than 1500 that will be teether 47.54 but at this time all the new people initially will be an invest, sales effectively when new therapy starting from zero, the way the management looks at it is that within the first year of operations there is a internal target to breakeven. So effectively 12 months from the time the representative joins the target is that he becomes productive enough and he breaks even that breakeven number comes to about anywhere I think around Rs.80,000 or Rs.85,000 of sales per representative per month. So effectively that is what we look at.

Chirag Dagli: So this ramp up will be back-ended?

Pranabh Mody: Ramp up will hit my P&L in the initial stages, yes. It would breakeven in 12 months of operations and then it would start contributing to the bottom-line for 12 months.

Chirag Dagli: And sir if we can throw some light specifically which therapies will you add or will you add to your existing therapies just reaching more areas where will these incremental 700 medical reps be?

Pranabh Mody: Yeah those plans are being worked out at the appropriate times, we will announce them. This time only a 100 odd has been taken in the gynaec and dental division. The next ones, we will announce it as we reach there.

Moderator: Thank you. We have a follow-on question from line of Sunil Rao, please go ahead.

Sunil Rao: Congratulations on deal. Sir, just wanted to know as in how many products where there in your Russian OTC business.

Pranabh Mody: We had about 12 products that we have given out in 14 different countries.

Sunil Rao: Any of those products that you sell in India as well in the domestic market?

Pranabh Mody: What we have done is besides this we have given worldwide rights to them for three particular products which is Doktor Mom, Rinza and Fitovit. Barely we had about \$0.5 million sales across outside Russia and the CIS countries. Part of the deal includes giving the rights for these three products. Effectively the business outside the Russia and CIS was only a \$0.5 million. I think it is a few lakhs in India.

Sunil Rao: But you will continue to sell those products in India.

Pranabh Mody: No we will now have to discontinue these products.

Moderator: Thank you. The next question is from the line of Akshat Vyas from Anvil Shares, please go ahead.

Akshat Vyas: Sir, the amount which is there in escrow account that is 15% of 1100 crores right. That amount would be coming when sir?

Pranabh Mody: 15 months.

Akshat Vyas: The supply agreement with J&J will be for which products?

Pranabh Mody: These products which we sold to them. Doktor Mom, Rinza, etc.

Akshat Vyas: Okay so you will basically supply them these products.

Pranabh Mody: Yes.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would like to hand the conference over to Mr. Pranabh Mody for any closing comments.

Pranabh Mody: Thank you everyone for participating, appreciate the time that you have spent with us. As I had indicated we believe it is a great historic moments at J. B. Chemicals, we believe good shareholder value has been unlocked. I hope you will also see our views in this, the challenge going forward for the company is to fill in the gap, i.e., arising in both revenues and margins because of this deal and from the management side we are confident that we will put in the necessary efforts to make sure things pan out in the manner in which we planned out.

Moderator: Thank you Mr. Modi. Ladies and gentlemen, on behalf of JB Chemicals and Pharmaceutical Limited that concludes the conference.