



Sun Pharma
Analysts/Investors Conference Call
July 29, 2005

Moderator

Good afternoon ladies and gentlemen. I am Parimala, the moderator for this conference. Welcome to the Sun Pharma conference call. For the duration of the presentation all participants lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Dilip Shanghvi of Sun Pharma. Thank you and over to Mr. Shanghvi.

Dilip Shanghvi

Welcome and thank you for joining us today for the conference call after the announcement of the financial results, the first for the year 2005-06. As you know this call was originally scheduled for the July 28th but because of the unprecedented rains that caused a breakdown in communication, we had to reschedule it. In this call, we will discuss operations and developments on strategy. Mr. Valia will first share the performance and the financial highlights and later I will talk about strategy and direction. The question and answer session will follow this presentation. I will now hand over to Mr. Valia.

PERFORMANCE AND FINANCIAL HIGHLIGHTS:

Sudhir Valia

Good morning everybody. Our first quarter numbers are with you and you would see that we have shown good growth across all sectors of our business. First, we shall look at the financials. Our first quarter numbers are unaudited numbers and for Sun Pharma standalone limited review has been done by statutory auditors. For ease of discussion, we shall look at the consolidated numbers only.

Sales and income from the operations grew to Rs. 4217 million from Rs. 3136 million, up by 34% over the first quarter last year. Net profit after minority interests is up 54.2% at Rs. 1363 million from Rs. 884 million. This quarter net profit margin is 32% against 28% for the same quarter last year. Net interest income is Rs. 162 million for the first quarter against the net interest income of Rs. 3 million first quarter last year on account of the FCCB funds parked with the banks.

Material cost as a percentage of sales is up from 28.6% to 29.7% largely on account of the pricing pressure in the US. At Caraco, after yet another continued quarter of pricing pressure in US generic market, margin shows some sign of pressure, although we do have the advantage of integration.

After salary revisions and increase in the staff, the staff cost is up from 6.7% to 7.1% of the sales. Integration of MJ, full operations at Jammu and Bangladesh, and the integration of Phlox, which has now become subsidiary have contributed to this cost. Indirect taxes as a percentage of sales is down from 11 to 8.6, again reflecting increased off take from the exempt area.

R&D expenses have increased from Rs. 246 million to Rs. 313 million, up 27%. Taxes are at Rs 33 million that is 0.8% of the sales as versus Rs 38 million or 1.2% of the sales for the first quarter last year. As we continue to take advantage of various tax benefits that we have going ahead, we expect the tax to remain at about the same level. EPS is at Rs. 7.3 up from Rs. 4.8 for



the first quarter last year. On fully diluted basis, after considering FCCB conversion, EPS for the current quarter is Rs.6.6, up 38% from the corresponding quarter last year.

Now for a closer look at the operations. Domestic formulations have been showing strong growth. Domestic formulation sales for the quarter have grown 45% over corresponding quarter and this includes some sales which would have happened in March quarter other than for the trade issues with VAT and the issues related to the stocking of the psychotropic substances. Also on account of VAT, we have modified our distribution system, which will have an overall 10% to 15% top line positive impact without any bottom line impact during the course of the year.

As per the June 2005, IMS ORG-MAT data, Sun Pharma is growing at 12.1% and the market share is now 3.44% from 3.36% in March, which is closer to our objective of reaching 3.5% market share achieved through organic growth. Our five core therapy areas, cardiology, psychiatry, neurology, gastroenterology, and diabetology accounted for almost 71% of the domestic formulation sales.

The latest specialist data from C-MARC for four months spanning March-June 2005 is in, and we continue to be at top rank with psychiatrists, neurologists, cardiologists. With ophthalmology and diabetology, therapy areas of high potential, we have reached number one and two rank, respectively. These are relatively new therapy areas where we have built therapy area baskets and earned customer trust in a short span. We added to market share across all classes and are among the top four companies with nine classes of specialities.

Eleven interesting new product not counting the line extensions were brought to the market across 17 divisions. Three new products used bulk active that have been developed in-house. We continue to actively develop products in which technology is differentiating factor such as Imalek, which contains imatinib gamma crystals which we have now re-launched.

In our women's health portfolio, we introduced Maxtib, which contains tibolone used in the management of postmenopausal osteoporosis. We have an interesting pipeline of products lined up for the rest of the year. Among our leading products, Glucored, Pantocid, Susten, Repace, Aztor, Clopilet, and Zeptol continues to register healthy double-digit growth.

Exports of formulations and bulk active was 33.5% of the total turnover.

Caraco's results for the quarter ending 30th June have been recently shared. You are aware that they have recently brought in their financial year in line that of Sun Pharma. For the first quarter, the quarter ending 30th June, they reported sales of \$17.6 million and a net income of \$1.6 million dollars. This compares well with the sales of \$14.8 million and net income of \$1.5 million in the corresponding period in the previous year. These numbers are after factoring in price erosion which was steep at 10 to 15% for their major products at the top line which is something we had foreseen for the US generic market and put into our projection numbers. Export formulations from Sun Pharma to 26 markets where we sell specialty prescription brands, continues to do well. We recently started getting sales from the new market of Brazil and Mexico, and these sales will pickup momentum going ahead. As we continue to sell greater proportion of our specialty bulk active to regulated market, the quality of this business continues to improve. In the first quarter, we developed five drug master files and scaled up technically complex products like Pramipexole and levitiracetam. We now have 7 DMF approved, 9 COS approved, and 27 DMF plus 7 COS awaiting approvals. We intend to step up our regulated market filing with over 12 filings planned for the year, most of these would help us to compete as an integrated generic company and take advantage of the margins and speed to the market.

With this, I will now hand over the platform to Mr. Shanghvi.

Dilip Shanghvi



Thank you Mr. Valia. As you have shared, we have begun this year well with sustainable growth across all four parts of our business which is the hallmark of the business model that we have been able to develop. In normal circumstances, predictability of the business would flow to the bottomline numbers, but this quarter has been different in two respects-some previous period sales, which took place in the first quarter on account of the VAT issue of the last quarter and the interest that we have earned on the FCCB funds parked for the full quarter. Overall profitability on account of this is higher than the projection shared, but the underlying business has performed in line with our projections.

We believe return on capital employed is an important measure of profitability. So far we have been achieving amongst the highest return on capital employed in the sector, however, currently our return on capital employed is down at 13.8% which is due to unutilized FCCB funds which are earning very small interest currently, but this is part of our conscious strategy and we expect to return to our earlier return on capital employed once we deploy these funds and returns start coming from these investments.

I am happy that we are now close to achieving the objective that we shared with you two years back of getting 3.5% market share of Indian prescription market, essentially based on organic growth.

International formulations was up 22% for the first quarter as was in the first quarter of the previous year as sales from the existing market and new markets that we have just begun to explore have contributed. To protect export realization forward cover for one year has generally been taken.

We believe that we are in line to achieve the projected growth of 40% for the year for the international formulation business. One area which has seen increasing investments of time and resources is R&D, particularly R&D that can earn us intellectual property for the long term, and as you know last year, we commissioned two new research facilities. This quarter too witnessed higher R&D expenses. We have been conservative on our R&D spend, but with the progress that we have achieved, we feel confident and hence are increasing the pace.

Caraco has reported its quarterly numbers recently. They have achieved a sales \$17.6 million and a net income of \$1.6 million. Their guidance for 2005 is a growth of 15-20% after advising investors of increasing pricing pressure in the market place. So they remain cautious on account of pricing. We are aggressive in filing ANDAs this year. Caraco also hopes to file a decent number of ANDAs in 2005. In Sun Pharma also, we should be filing a similar number of ANDAs this year out of India. As you know, last year till March between Sun and Caraco, 22 ANDAs were filed and this does not include different strengths of the same product. The number of cumulative ANDAs awaiting approval in June for both the companies is now 26.

With one of our own new chemical entity (NCE), doing well in phase one, we expect to file the IND (investigational new drug) for this product with the US FDA sometime in the next few months. We also expect to file IND for two novel drug delivery systems (NDDS) in the next few months. In view of the fact that we are doing this for the first time, we have been a bit optimistic on the timeframe and we have shared this with you earlier that we would be filing by now and these projects are delayed a little bit, but we learned that in our optimism we have shared with you timeframes which are difficult to achieve, but as time progresses and we learn better about the regulatory process of innovative products, we will become more realistic in our projections for filing time lines.

We have preferred to enter businesses which are difficult to do, but areas that deliver stable sales and gradually increasing profits. All four parts of our business offer strong growth opportunities and we are well placed to encash this in the future. The robustness of our business allows us the liberty of making investments that get returns over a long term. The scale of this cash flow will be in our opinion qualitatively and quantitatively very different from our current cash flow. We also have been rapidly growing our export business out of India. The US subsidiary remains quite



cash flow positive. Our initial investments in research are producing significant results and I am confident of doing better as we go ahead. We now have close to \$450 million available with us and we are open to opportunities in US market both in generic and in research based companies where we can make corrections and add value. Despite the size of the funds, we continue to have the same respect for resources that we did a decade ago. We think we are quite excited about future as we see it. With this, I would like to leave this floor open for questions. Thank you.

Moderator

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your touchtone-enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask the question, please press *1 now. First in line, we have Mr. Jinesh Gandhi from Motilal Oswal.

Jinesh

Hi sir congratulations on a good set of numbers. A couple of questions. What would growth be like for this quarter, I mean excluding Phlox?

Sudhir Valia

Phlox, there is no sales.

Jinesh

There is no sales okay. Secondly, how many ANDAs you have filed during the quarter including Caraco?

Dilip Shanghvi

Between Sun and Caraco what we have shared is, we have filed four ANDAs. What Caraco has shared is (that they) filed one, so we have filed three.

Jinesh

Okay and no approvals during this quarter?

Dilip Shanghvi

No approvals during this quarter.

Jinesh

Total pending is 26 right? Okay and lastly you mentioned that you have changed your supply chain structure due to VAT, can you throw more light on that?

Dilip Shanghvi

I think the change in distribution structure will lead to increased top line by around 10 to 15% without any impact on the profit number.

Jinesh

Okay. Would that mean that the expenditure will also obviously go up in the same extent?



Dilip Shanghvi

That's correct.

Jinesh

Okay thanks a lot sir.

Moderator

Thank you very much sir. Next we have Mr. Rajesh Vora from ICICI securities.

Rajesh

Good afternoon, Mr. Shanghvi and Mr. Valia. Well done on the results. Just two key questions. First on the margins, as you mentioned about the pricing pressure in the US causing Caraco margins going down, now if you look a year back the gross profit margin at Caraco was 61% and in this June quarter it down to 46%, that is a steep fall. As we stand today and as the environment appears, it is clearly a big risk going forward. In terms of where do you see margin stabilizing and where do you see pricing pressure sort of stabilizing or receding, if you can throw some light on that?

Dilip Shanghvi

It is difficult to take a call on when the pressure on margins will stabilize, but we expect continued pressure on pricing going forward.

Rajesh

Okay.

Dilip Shanghvi

Part of the reason for the reduced margin is also increased spending in terms of R&D, so that's not related to the pricing pressure.

Rajesh

Sure. And is it that the large part of this decline in margins at Caraco is driven by metformin pricing pressure with competition increasing, number of players increasing, (causing) large part of this decline?

Dilip Shanghvi

I would not define this, actually we don't even have these numbers, but I believe that it is not one single product which may be contributing to pricing pressure. It must be more an uniform, across the board pricing pressure.

Rajesh

Okay and the second question on Mexico and Brazil where you have commenced operations. What sort of opportunity, you have mentioned that you are duplicating, replicating the same template of speciality branded products, how do you see this opportunity over the next two to three years? Are you looking for a significantly large business out of these Latam markets?

Dilip Shanghvi



Yes I think our international business is very small, so whatever that we would do there is relatively significant in context of that, but that business as all our businesses will build gradually.

Rajesh

Okay, good luck and thanks a lot, gentlemen.

Dilip Shanghvi

Thank you.

Moderator

Thank you sir. Next we have Mr. Nishant from Deutsche Bank.

Nishant

Good afternoon Mr. Valia. I have basically two questions, the first one is on your supply chain. I could not exactly hear, there was lot of disturbance in the line, so I could not understand what you mentioned about the changes that you have made in your distribution system and how it has helped you. The other question is more generic question it is more in terms of what is happening in the industry. What we are seeing is, particularly in the generic space a lot of consolidation is happening. Recently there was news of Teva acquiring Ivax, so this pressure on margins that the industry is witnessing, it seems to be a more perennial thing and it does not look like a short-term thing, which will start improving. So how do the margins of Sun Pharma look like going forward, and to be more specific, where do you see Sun Pharma ending up in terms of EBITDA margin by end of this year and PAT margin for that matter?

Dilip Shanghvi

As I explained earlier, we changed distribution because of which the top line will grow by 10 to 15% without any significant increase in the overall bottomline. That is a structural change in our distribution which is not related to increased business, so that will need to be adjusted out of our current top line numbers for the domestic business. About the US business, products and pricing because of new competition is leading to consolidation of companies and I believe that the scene will continue till some amount of redistribution of balance in terms of pricing comes back, but it is a process. It is difficult to predict how long it will take and what will happen as a result of this consolidation. We are prepared for this as a company for a long period of time and we have a low cost operating structure, which would allow us to generate profit and compete effectively in the market place. As to the overall impact on the Sun margins, the US business is not really a very large contributor to our current bottom line, so we are not expecting a huge impact of the pricing pressure in the US to impact other overall margins, but our guidance is around 26 to 28% overall margin for the company which generally we are trying to exceed but the guidance remains the same.

Nishant

Okay thanks.

Dilip Shanghvi

Thank you.

Moderator



Thank you very much sir. Next we have Mr. Pawan from Kotak.

Pawan

Hello, congratulations to the Sun team not only because of the good numbers but for having made the highest profits in this sector this quarter. And my questions really are, can you be a little more specific on this distribution change, what changes have you made, is it that there is going to be more inventory with your distributors, what exactly is it?

Dilip Shanghvi

I think Pawan what we shared is what we are sharing.

Pawan

Okay. You do not want to talk more on that.

Dilip Shanghvi

But what will happen is, during the year, we will continue to report higher top line growth for domestic business than what the ORG will reflect.

Pawan

So basically about 25% because you have guided something like 15% to 20%

Dilip Shanghvi

So anywhere from 25 to 30% is the kind of overall growth that we can see during the year.

Pawan

Okay. Fine so that's one. Second was you spoke a little on Bangladesh and Phlox getting merged, so what is happening in Bangladesh?

Sudhir Valia

(The company in) Bangladesh is anyway our subsidiary. MJ Pharmaceuticals we have taken over and Phlox we have applied for the merger which is awaiting a court order which is likely to be in the next week or two. Till then, since we are holding a significant equity in Sun, as a subsidiary the results have been merged.

Pawan

Right. Now you started operations in Bangladesh is it and basically you are selling or you are also going to be?

Dilip Shanghvi

In Bangladesh, we have started selling formulation products. It is not very large and it is not significant, but going forward, we expect this business to become more attractive.

Pawan

Okay, and in Brazil and Mexico, you are selling through distributors or you setup your own ground operations kind of a thing like in the US?



Sudhir Valia

We require to have a company of our own to do the distribution there.

Pawan

Pardon.

Dilip Shanghvi

We have our own subsidiary doing distribution in Brazil and for Mexico we have a joint venture.

Pawan

Okay and these are already making profits or there is likely turnaround time and all that stuff?

Dilip Shanghvi

There would always be an initial investment phase, so they are losing money.

Pawan

Out there, you are losing money. Okay. And the other thing was on other income or interest income. What kind of an income are you generating on your FCCB fund or in general the funds that you have?

Sudhir Valia

The net income shown this time is about 160 million and going forward we expect similar or maybe marginally better in terms of interest going up as a net interest income.

Pawan

So basically you are doing something like 4%, is that the right number 4 to 5%?

Dilip Shanghvi

Slightly less.

Pawan

Slightly better, and are you also providing for (interest on the bonds)

Dilip Shanghvi

Not slightly better, but slightly less than that.

Pawan

Okay less than 4% and are you providing or making any provisions for that interest on FCCB or no need to do that?

Sudhir Valia

No, we are not providing on FCCB interest, but as I discussed with you that when we are



calculating EPS we are giving diluted EPS as per the requirement of the regulations.

Pawan

Sure. And that's about it thanks.

Dilip Shanghvi

Thank you.

Moderator

Thank you very much sir. Participants who wish to ask questions, please press *1 now. Next in line, we have Mr. Shreyans from Sharekhan.

Shreyans

Good morning Mr. Valia and Mr. Shanghvi. My question is regarding the distribution of the sales, can you tell me how much is the breakup for domestic and international sales and also the breakup for formulations as well speciality drugs?

Sudhir Valia

Exports is 33%. Within the domestic, the bulk and formulation in the domestic market, it is about 85% is formulation and 15% is bulk.

Shreyans

And in the International markets?

Sudhir Valia

International formulations is about 70% and bulk is 30%.

Shreyans

And second part of my question is you said you have cash reserve around \$450 million. What do you intend to do with this and can you give a timeframe in what time will it be employed?

Dilip Shanghvi

We want to use this money for making an acquisition. We have no timeframe.

Shreyans

Okay have you started talks with other companies till now, have you started considering other companies?

Dilip Shanghvi

We have talked to companies, but no talks have progressed to a level where we feel that a transaction is close by.

Shreyans

Okay, thank you very much.



Dilip Shanghvi

Thank you.

Moderator

Thank you sir. Next we have Ms. Visalakshi from DSP Merrill Lynch.

Visalakshi

Hello good afternoon. I have a question on Sun's paragraph four challenges -could you give us update on the litigation stage for each of the four products, Ethyol, Gabitril, Ultracet, and Protonix?

Dilip Shanghvi

We have not shared specifically which para four's that we have filed, but broadly most of the litigation related to para four are in the initial period, so we are not seeing very large litigation costs and expenses.

Visalakshi

Okay, but, what is the earliest that one should expect news flow on any of these?

Dilip Shanghvi

We have decided not to share any specific information because of two reasons. One is that the outcome is uncertain and unpredictable, so it is not proper for us to share something, which may or may not happen. And the second thing is that the potential sales for this product even if we are successful are far away, so these have no short-term implication for the company except the cost of the litigation.

Visalakshi

Would that mean even for fiscal 2007, there wouldn't be any major litigation related costs?

Dilip Shanghvi

No that's not what I am saying. I am saying that the only implication for shareholders would be litigation, (I am) not visualizing any of these products getting into market within a short time.

Visalakshi

Okay and in terms of litigation cost, say for fiscal 2007 is there any number that you would like to you know, go at?

Dilip Shanghvi

We have not actually shared 06-07 projections still with shareholders. It is difficult to share one particular number in isolation.

Visalakshi

Okay fine, and on R&D spend how would you be ending your R&D spend on the revenue side in fiscal 2006.



Dilip Shanghvi

What we have shared is around 10% R&D spend on revenue side.

Visalakshi

On the revenue side for the full year?

Dilip Shanghvi

That's right.

Visalakshi

Okay, thank you so much.

Dilip Shanghvi

10% may be overall R&D spent including capex and revenue.

Visalakshi

And out of that, how much would be revenue, any figure?

Dilip Shanghvi

Actually I don't have the figures in front of me.

Visalakshi

Okay, okay no problem. Thank you so much.

Dilip Shanghvi

Thank you.

Moderator

Thank you madam. Next we have Mr. Prashant from Citigroup.

Madhusudhan

Good afternoon everyone. This is Madhusudhan here. Sir I had a question. Just wanted to understand it. The first quarter formulation sales when you say in the domestic market grew by about 45%, the number is more like 35% is that correct?

Dilip Shanghvi

30%, yes.

Madhusudhan

30%.

Dilip Shanghvi



That's correct.

Madhusudhan

Okay and the other question which I had was, if you look at the January to June period for last year and this year, your EBITDA margin has actually come down quite a bit, what are the reasons for that?

Dilip Shanghvi

Let me look at the numbers you are saying January to June?

Madhusudhan

Yes, I am just trying to normalize the India business

Dilip Shanghvi

January to June for six months. Actually the India business there is no major impact.

Madhusudhan

So it will be largely the US business you mean.

Dilip Shanghvi

I think so because in this quarter also the overall cost increase is on account of pricing pressure in the US.

Madhusudhan

And sir your tax rate, do you think it will continue to be like 2-3% for some more time?

Dilip Shanghvi

I think so.

Madhusudhan

Okay, thanks for this and all the best.

Dilip Shanghvi

Thank you.

Moderator

Thank you very much sir. Next in line, we have Mr. Rahul Sharma from Karvy.

Rahul Sharma

I just wanted some clarity on what type of growth we are seeing in domestic formulations? You do see change in distribution going forward in 2006 and 2007 and the margins would remain on the higher sales or we will have to pull down the margins?



Dilip Shanghvi

The impact will be only for this year, not next year. So there is no impact going ahead. The second is that there will be a top line increase without any change in the bottom line, so to that extent the margins would come down.

Rahul Sharma

Okay. Sir what would be the top line domestic formulations growth for the year, you had given around 10 to 15%, so it will be around what 25-30% for the year?

Dilip Shanghvi

That's correct.

Rahul Sharma

Okay thanks.

Moderator

Thank you sir. Next in line, we have Mr. Manish from ING Vysya.

Manish

Hello good afternoon sir. Just a more micro level question. How much sales would Sun Pharma sales have three years down the line from the international market and from the domestic market including the inorganic growth if I factor in?

Dilip Shanghvi

That's a long way. We do not actually give very futuristic numbers. What we have shared with investors till now is that we should be able to grow our domestic business at 10 to 15% for the next two years. And the international business will also continue to grow at anywhere between 30 to 40%, but broadly that is what I can share with you; beyond that, it would be difficult.

Manish

Okay. Thank you.

Dilip Shanghvi

Thank you.

Moderator

Thank you sir. Next in line, we have Mr. Manish Jain from Deutsche Bank.

Manish Jain

Hello my question pertains primarily to the R&D expense, where the manpower cost has not increased whereas the overall R&D charge has gone up on the revenue side, could you just throw some light as to what is driving the R&D cost?

Dilip Shanghvi



Manish, where did you get the manpower cost of the R&D?

Manish Jain

It is given in the consolidated note that R&D cost includes staff cost of Rs. 70 million for June 2005 compared to Rs. 67 million.

Sudhir Valia

Manish, let us understand. Earlier the R&D cost was not segregated with the results. So this time when we wanted to highlight R&D as separate expenses, we have to have the like to like R&D expenses incurred in the past.

Dilip Shanghvi

What his question is that it hasn't gone up too much?

Sudhir Valia

No it is a routine what...

Manish Jain

Fine maybe I can take it from you later on.

Dilip Shanghvi

I think it will be difficult to give detailed answer now. There is an increase which is significantly more than what we see here.

Sudhir Valia

See Rs. 66 million was June 2004 R&D manpower cost and Rs. 70 million was R&D spend.

Dilip Shanghvi

What he is asking is how could it have gone up only by 5%. Which is true because we have increased more people and also the increments in R&D are significantly high. So we will have to look at this number and give you a more detailed answer.

Manish Jain

Okay.

Sudhir Valia

When we do consolidation, Caraco figure also comes in and there R&D expenses have been curtailed or reduced.

Dilip Shanghvi

So there is a certain amount of re-adjustment which we will need to find out.

Manish Jain

Okay.



Moderator

Thank you sir. Next we have Mr. Jinesh Gandhi from Motilal Oswal.

Jinesh

Hi sir, this question pertains to your other expenditure. On year on year basis it has gone up tremendously, any particular reasons for that?

Dilip Shanghvi

What we shared is that the top line increase in domestic business will be matched with matching expenses.

Jinesh

Okay. Any particular expense head which has gone up in this other expenditure?

Dilip Shanghvi

Yes, significant part of that would have gone into other expenditure.

Jinesh

And sir secondly, the press release of Caraco mentions about their plans of funding para-4 certifications, so does that mean that in the future para-4 certifications would also be filed from Caraco?

Dilip Shanghvi

They also may file because they are now in a more comfortable financial situation.

Jinesh

Okay and lastly about your acquisition plans. Would you be looking at only the US markets or other regulated markets too?

Dilip Shanghvi

Generally we are looking at the US market.

Jinesh

Okay thanks a lot sir.

Moderator

Thank you sir. Next in line, we have Ms. Pakhi from Edelweiss Capital.

Pakhi

Hello sir. I just missed this. Could you please share the growth guidance for the domestic bulk for fiscal 2006?

Dilip Shanghvi



20 to 30%

Pakhi

20 to 30%.

Dilip Shanghvi

This year it is 20 to 25%.

Pakhi

And for the export bulk?

Dilip Shanghvi

Domestic and International combined.

Pakhi

Okay, thank you so much.

Moderator

Thank you madam. Next we have Mr. Jesal Shah from JP Morgan.

Mr. Shah

Yes good afternoon. I have a number of questions. Firstly the tax aspect, if you could throw some light on the tax liabilities for the interest income which you are generating and the foreign exchange gains that you have. I do not know how to look at those incomes from tax point of view, so if you can throw some light on that?

Sudhir Valia

We factor all the income while calculating the tax, so the interest income has been taken care while calculating the tax impact.

Mr. Shah

Right. From what I understand the tax benefits are generally the backward area benefits and the export benefits in 10(a), 10(b).

Sudhir Valia

When you deal with pharmaceutical industry, you have to factor even the R&D spend, so I think then you will be able to...

Dilip Shanghvi

We have weighted deduction on R&D.

Mr. Shah

Right okay. And if you can explain the benefits over and above the minimum alternate tax that



the company has to pay?

Sudhir Valia

No I did not catch your question?

Mr. Shah

Yeah you know the general tax pay that we see about 7.5%, which is the MAT, so I just wanted to understand what are the benefits?

Sudhir Valia

Exemptions. So those exemptions we have availed.

Mr. Shah

Okay. The second issue was in the domestic business I understand there is some extra growth because of the change in the distribution setup, but if you exclude that what kind of underlying growth are you seeing and how much of that is driven by price increases versus volume growth and just a followup on that quickly is what is the contribution new products to sales in the current quarter?

Dilip Shanghvi

Actually this quarter it is very difficult to give detailed answer to what is called organic growth and price increase in the first quarter because there is certain spill-over of the previous quarter and we have shared that the overall top line impact of the distribution change is around 10 to 15%.

Mr. Shah

Okay. Just moving to the US market, is it possible for you to tell us that the pipeline that you have for the next may be one or two years or that you intend to file both from Caraco and from Sun Pharma here, how many products do you think would really involve some kind of a para-4 and therefore some kind of litigation?

Dilip Shanghvi

There would be a rational mix of para-4 and easy to bring to market kind of products and within the para-4 also there may be relatively easy to establish kind of products, but it is difficult for me to give a specific answer.

Mr. Shah

Right. Would it be right to say that if you are filing let's say 20 ANDAs every year, then maybe over a two year timeframe, there would be at least 10 products which would involve some kind of litigation on a cumulative basis?

Dilip Shanghvi

That is a probability.

Mr. Shah

Okay thanks so much.

Moderator



Thank you sir. Participants who wish to ask questions, please may press *1 now. Next in line, we have Ms Monica from Quantum Securities.

Monica

Good afternoon sir. I am sorry I have missed this but you have set some target ANDA filings for the year?

Sudhir Valia

Can you be louder.

Monica

I am sorry I missed this. Have you set some target filings, the number of ANDA filings you will be making this year between you and Caraco?

Sudhir Valia

12.

Dilip Shanghvi

I think what we have shared is that Caraco will file more or less same number of ANDAs that they filed last year, which was seven, and we also would file similar numbers.

Monica

As last year.

Dilip Shanghvi

As last year, which is around twelve.

Monica

Okay, so you will together be filing 12, that is right.

Dilip Shanghvi

Together we will file around 18-20.

Monica

Okay, thank you so much.

Moderator

Thank you madam. Participants who wish to ask questions, please press *1 now. I repeat participants who wish to ask questions may please press *1 now. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Dilip Shanghvi for final remarks.

Dilip Shanghvi



Thank you to all the participants who participated on this earnings conference call from all of us.

Moderator

Thank you sir. Ladies and gentlemen, thank you. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.