SUN PHARMA
Q2 RESULTS CONFERENCE CALL
OCTOBER 21, 2004

Moderator: Good evening ladies and gentlemen. I am Parimala, the moderator for this conference. Welcome to 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.

Shanghvi: Welcome and thank you for joining us today for the conference call after announcement of the first half results. I am sorry for the need to reschedule this conference call because of a technical hitch in our server. We will be sharing with you both the numbers as well as the strategy. Mr. Valia will first share financial highlights and operational issues, and then I will move on to broad strategies and direction. We will follow the discussions with a question and answer session. I will now hand over to Mr. Valia.

Valia: Thank you. Welcome all of you. For the ease of discussion we will look at the number of Sun Pharma a limited company and a partnership firm, consolidated basis, so that we compare likes. This does not include the results of the overseas subsidiaries, which is already with you in the table of consolidated result. Caraco results, which they had recently announced, are already with you.

Half year is like a mid-point, a good time to take stock of how the company has fared versus projections and for us good time to check on strategies direction and how we fare against where we are headed. The first half numbers are with you and we are confident of meeting the guidelines that we had shared for the year.

In this half year, one of the achievements relates to the approvals that we have received from US FDA for two of our sites, Halol and Panoli. After these new approvals two of our bulk plants are US FDA and European FDA approved. One of our formulation unit the Halol plant is approved by US FDA, UK MHRA, as well as Brazilian, Columbian, and South African regulatory authorities. Incidentally, substantial capex is being undertaken at both these plants this year, addressing the international opportunities.

I would like to draw your attention to at the beginning before we move on an analysis of numbers as a matter of abundant caution and in order to ensure that the numbers correctly reflect the state of the operations in line with the prevailing accounting standards and guidelines we have recast sales number of the current period by eliminating inter unit sale and purchase other than those pertaining to the bulk drug for the manufacturing of the formulations, and corresponding figure for the previous year are not strictly comparable, this change has no effect on the profit number.

Our total turnovers grew by 18.8% over first half last year. Profit before tax increased 25.2% over first half year last year. Net profit increased by 27.8% over first half of last year. Net margins for the first half is at 28.2%. As I point out every time, this profitability is after high R&D expenditure, larger international registration cost as we invest for growing the business. The revenue R&D this half was Rs. 331 million against

Rs. 230.3 million first half of the last year.

Looking at the breakup of the business, formulation accounted 71% of the sales, and specialty bulk accounted to 28%. Export of the formulation and the bulk active accounted 21% of the turnover, domestic formulation sales have grown 23% over the same period last year.

As per the August 2004 ORG-MAT data, Sun Pharma's market share is now at 3.2% from 3.11 in March. Growth rate is 14% against 7.7% for the factor, our five core therapy areas, cardiology, psychiatry, neurology, diabetology, and gastroenterology accounted for 71% of the domestic formulation sales.

In the last conference call we had shared with you the right increase in the cardiology to number one position, and the top three ranks we are at with key specialists. I am not repeating this data because the data for the subsequent period has not been released as yet, and we continue to go well in market and this would get reflected in the rankings.

Export formulations increased 26.7% over first half year, since this is the result of a prescription pull based strategy, tighter operation control, effective implementation, I expect we will meet our year end growth projection of 40-50% growth this year.

Our new plant in Bangladesh recently started production activity and I expect to have more to share about Mexico, Bangladesh, and Brazil going ahead.

We remain profit focused, 28% margin for the first half as against 26% last year, after larger R&D investment. Working capital efficiency remains a vital performance measure, with some areas in which we have done better than in the past, and some areas in which we expect to do better going ahead.

At the point in time we are sharing the inventories number, which is at six months the same as last year. This is despite a much larger base of the business and increase in the number of units this year. The tax outgo is Rs. 68 million, last year it was Rs. 103 million, and going ahead we expect to maintain the tax rate on account of various benefits that we have. The net interest income was Rs. 8.8 million for the first half against Rs. 30 million for the last year, because of the change in manner in which we deployed excess funds and the interest earned on $40 million ECBs.

The R&D expenditure for the first half is Rs. 486 million versus Rs. 515 million last year for the same period. Of this R&D capex was Rs. 155 as against Rs. 285 million, and as you know both the Mahakali and Tandalja research centers have now been commissioned. So far total capex on new Baroda R&D site is Rs. 569 million and on the new R&D site in Mumbai is Rs. 263 million. As such we are on the track to spend Rs. 750 million number that we have shared for R&D from time to time. R&D revenue expenses have increased significantly up to Rs. 331 million versus Rs. 230 million last year.

EPS is at Rs. 8.30 up from Rs. 6.50 on an equivalent basis for the first half.
Interesting new products were introduced across our marketing division in the first half. Our interest in using technology as differentiating factor has over years helped us making head way with the innovation based projects and I have shared with you earlier among our leading products Pantocid, Susten, Repace, Aztor, Oleanz, Clopilet continue to make a mark.

We continue to do well with the high margin specialty bulk segment of our business and this half scaled up technically complex products like gemcitabine, tiagabine, memantine, nateglinide, and some of these helped us to be the first to launch brands in Indian market.

The US, Europe are priority area for future growth as we have shared earlier. We now have six DMF 7 European DMF approved and total 22 DMF plus US awaiting approval. We continue with our plan of 8 to 10 regulated market filings for the year.

With this I will now hand over the platform to Mr. Dilip Shanghvi, and he will outline our strategies and our plans for acquisition opportunities in US operations, the R&D, and future plans.

Shanghvi: Yes thank you Mr. Valia. Recently we shared with you the procedure pending regulatory approval for the acquisition of Phlox Pharma, a second and third generation cephalosporin bulk drug and formulations company. Our shareholders had approved a swap ratio of 790 of Rs. 10 or 7900 shares of Rs. 1 for every one share of Sun Pharma involving issuance of a total of around 29,000 new shares, a insignificant dilution. Phlox Pharma as we have already shared is a closely held bulk drug manufacturing pharmaceutical company. It has a capacity for producing up to 37 metric tons annually of second and third generation cephalosporin. It is located at Baroda, and it has filed European drug master file for cefuroxime axetil amorphous and it has capacity and infrastructure to make higher end cephalosporins. Our plan would be to build on the existing infrastructure and approvals, and complete a internationally compliant manufacturing site. From the capex we would be spending around Rs. 150 million for the Phlox facility and part of this has already been utilized.

Our bulk business increasingly addressing customers in regulated markets with higher end bulk actives and formulation is an important growth area for us. Our international business is 21.4% of turnover. US continues to be an extremely interesting market for an integrated and lean player, and in my opinion we are well positioned with skills in product development, filing, and advantages of integration.

From time to time, we have mentioned our intent to move up the value chain and we have put part of this strategy into place with buy out of three brands from Women's First Healthcare for $ 5.4 million. We continue to seek similar interesting opportunities where we can bring in a correction, build a presence in a part of business where we are not present, or benefit from customer relationships.

For sometime now I have been hinting at the need to take an international market plans to the next growth orbit. While we did announce plans to raise up to USD $350 million through a convertible bond offering, the timing was subsequently not right. I am now often asked if we are reactivating our convertible bond option plans, and I would like to point out that our position remains unchanged, at the right market conditions and the price, we are not averse to reactivating our plans. We continue to actively look for opportunities where we can add value for a business turnaround or build synergy with our US existing business. I will be able to share specifics on this once we have concrete details to talk about.

Export of formulations from India achieved a 26% growth on a relatively small sized business. Export formulations now account for 6.7% of overall turnover. Like our domestic formulation business, this too is the business of long-term prescriptions, stable volumes, and sustainable business. Since the markets addressed are fairly large outside India, we expect this business to continue to grow at 40-50% for next two years on comparable basis two years from now as we expect at least 10% of our turnover out of exports of formulation business.

For the US business, Caraco, our 63% subsidiary posted good nine months numbers with sales at USD $43.7 million and a net profit after tech transfer of USD $0.3 million. Caraco took a non-cash charge related to transfer of technology of USD $18.2 million, which at the end of the day is money that stays with the company. Cash flow from operations was USD $16.9 million. They used this cash flow to create new capacities, build inventory in the business, and also to payoff a large extent of debt. Last year's first half debt number of USD $27 million was down to USD $7 million this year. As you already know for full year to December 2003, Caraco has posted sales of USD $45 million with cash flow from operations of USD $15.5 million and shared a top line growth guidance of 20-25%.

Our quarter numbers consolidated with those of Caraco are with you. This is a line-by-line consolidation with the minority interest deducted at the last stage. Caraco has also shared progress on its filing. So far a total of 18 filings made cumulatively of which 14 ANDA approvals have been received. From the 25 products that we have been transferred under the terms of tech transfer agreements 15 have now been worked on. While we have been sharing with you the original plan for 5 filings by March 2005, Sun Pharma using an Indian facility has already filed 7 products with US FDA till September 2004. We continue to see business sense in participating in the US generic market with advantage of backward integration, comprehensive product basket for distribution reach, and filing from multiple sites.

Our guidance for the year remains unchanged; exports of formulation to grow at 40-50%, and bulk active across domestic and international to grow at 20+% on a comparable basis.

As we continue to look for ways to grow the US business quickly, the focus remains building a long-term sustainable business, investing on long-term projects while preserving shareholder capital and earning a return for today. We shared with you last time that one NCE is in human trials in Europe and is actually making quite good progress. Two novel drug delivery systems based products will enter human trials by the end of this year.

As I have said earlier, the first half revenue R&D expenses of Rs. 331 million compares favorably with Rs. 230 million for the previous year. Caraco had reported R&D expense other than tech transfer of $4 million versus $2 million in the corresponding nine months period. Phase I of the new research facility have been commissioned and the rest of the labs would be made operational based on project requirement.

The domestic formulation business, at 64% of total turnover, continues to be largest part of our business. We had shared a guidance of 13-18% growth for this part of our business, and we remain in line to achieve that.

We continue with our focus on growing the business. We believe that focused watch on cost and tight operating discipline is the only way to consistently deliver value. We intend to put this focus to good use this year and in the next. With Caraco and a solid base our intention to participate in the European market only with a partner, we are ready to reach for the next stage of our international market growth.

We are expanding our manufacturing capacities at Panoli, which has recently been approved by the US FDA, it will double in size once this expansion is over, and at Halol, which will create a large modern injectable manufacturing facility, some balancing capex at the rest of our plan. We have spent part of the 1000 million capex that we have shared for the year. Of this Phlox this year would see a capex of Rs. 150 million.

With this I would like to leave the 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 telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. To ask questions, please press *1 now. First in line we have Mr. Amrut Mathur from Business Standard.

Amrut Mathur: Seven ANDA filings till the September quarter with the US FDA, is that correct?

Shanghvi: That is correct.

Amrut Mathur: Okay, I wanted to ask you how many total filings would you have then, if you include the seven ANDA in September quarter?

Shanghvi: Come again.

Amrut Mathur: Sir, how many total approvals would you have, how many ANDA approvals would you have with if you have applied for seven, you have got seven ANDA approvals in September, so how much is that ……

Shanghvi: We have filed, we don’t have approval.

Amrut Mathur: You have five in what?

Shanghvi: We have filed 7 ANDAs.

Amrut Mathur: Okay, filed 7 ANDAs. Okay. Sir one more question, it is still not clear to me, this Nox Pharmaceuticals which you have mentioned …..

Shanghvi: Phlox.

Amrut Mathur: Phlox.

Shanghvi: Yes.

Amrut Mathur: F-L-O-X-X.

Shanghvi: P-H.

Amrut Mathur: Sorry?

Shanghvi: P-H-L-O-X.

Amrut Mathur: P-H-L-O-X. And you mentioned that you are in the process of integrating it, or has it been integrated, that wasn't yet clear?

Shanghvi: No it is a facility which we are investing in and creating new capacity and upgrading. Part of it has been commissioned and we have started manufacturing initial batches.

Amrut Mathur: Okay. And one more thing is when your exports have grown, so which are the main areas in which you have managed to grow exports? Has it been in psychiatry drugs and cardiology drugs, and neurology, which sector have you managed to grow exports in?

Shanghvi: I think we have been growing, we have identified 30 products that we are focusing on, and I think this focus on limited number of products is across markets.

Amrut Mathur: So broadly where are they, cardiology segment, psychology segment, neurology segment?

Shanghvi: They are across all the segments- psychiatry, cardiology, neurology, and gastroenterology segment.

Amrut Mathur: Okay, thank you so much sir.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Abhay Shanbhag from HSBC.

Abhay Shanbhag: Just a couple of questions. Number one is the sales in the second quarter, I mean there has been a slow down in the rate of growth, almost across all the different areas, any specific reasons for the same?

Shanghvi: I think if I look at overall performance of the domestic formulation business, then in the last quarter the numbers were from our point of view, acceptable ;. I mean if you look at the overall growth then it is in line with what we are seeing with the ORG.
If we look at the bulk active business, I think because we have large transactions with customers, we don't see any specific trend here, but the overall exports we expect to pick up in the second and in third and the fourth quarter going forward.

The formulation business, because we had certain disruption in the Silvassa facility because of the flood, we could not execute a few orders in time, and that is what has led to reduced exports, but all of that we should be able to make up in the third and the fourth quarter.

Abhay Shanbhag: So we would see a robust growth on exports formulations in the third and fourth quarter?

Shanghvi: That is correct.

Abhay Shanbhag: Okay, has it also impacted Caraco, you know the floods at Silvassa, or it is largely your exports to the emerging markets which has been impacted sir?

Shanghvi: Exports out of India is for other markets, other than Caraco. Caraco is not impacted because of Silvassa.

Abhay Shanbhag: Okay. Sir the other thing was you know the margin improvement has been very significantly driven almost entirely by lower raw material cost, so is there any specific reason, because if look at your consolidated numbers, raw material to sales is now only 23%. Has there been such a significant improvement in the product mix or what has driven this huge decline in raw material cost?

Valia: See so far we see the standalone numbers, that is Sun Pharma and the partnership firm, then there is a marginal improvement mainly because of the elimination of the turnovers, which was otherwise not accounting for any profitability but it is only increasing the value in terms of purchase and sales. So that has helped, otherwise there is hardly much significant, but when we see with the Caraco, the cost at Caraco is significantly lower as usual and with the merger scenario you see a consolidated number where the cost is much lower than what it was. With the growth at Caraco with the mix products, because now they are not dependent on few products but the number of products has gone up, which has helped in reducing the overall raw material cost at Caraco.

Abhay Shanbhag: Okay, but these raw material cost to sales will it continue at these levels, at 23% on a consolidated basis?

Valia: That is definitely our desire and we work very hard for this ;one is that we are in the speciality segment, and second is that we do reverse engineering, so we go on identifying or reducing the cost by doing engineering in the bulk active, so that is helping us, but it is also largely depend, which is our looking the number is a consolidated number, but is a US business also. So, in Indian business year after year, you will be seeing the similar kind of number which we are talking, not major significant difference. But when we are talking with the international number, yes that number has been influenced with this lower material cost.

Abhay Shanbhag: Okay. Sir one last question on your R&D pipeline, one NCE in phase I in Europe and two NDDS, what would be the time frame you would be looking at commercializing, say probably in the next say two or three years the NDDS should get commercialized, I mean would that be a sort of a realistic scenario?

Shanghvi: I think it is difficult to give specific time lines because we would not know how the products will progress in terms of the phase II as well as in the phase III, but typically I think you look at 4+ years for brining the product to market in case you achieve your clinical objectives.

Abhay Shanbhag: Sir these delivery systems are currently in the market place or it would be totally a different application with this delivery system not being in the market place?

Shanghvi: The products that we are talking about we are not marketing anywhere.

Abhay Shanbhag: No, no, I mean is the patent holder marketing, I mean ......

Shanghvi: We are the patent holder on this product, and we are doing clinical studies for this product. So, we are not marketing this but once we complete the clinical studies for this product, this product will come to market.

Abhay Shanbhag Okay fine, thanks a lot sir.

Shanghvi: Yes thank you.

Moderator: Thank you very much sir. Next in line we have Mr. H. R. Gala from Quest Investments.

H. R. Gala: Congratulations for a very good set of numbers. I have two queries based on the email that we have received from the corporate communication regarding these consolidated numbers. My first query pertains to the capital expenditure on R&D. I am not sure whether I heard you correctly sir, you said that you are going to spend Rs. 75 crores on R&D this year?

Shanghvi: That is correct.

H. R. Gala: That is correct. And how much has been spent so far, because we show only 15.51 crores having been spent so far on capital R&D.

Shanghvi: No I said 75 crores for revenue R&D ......

H. R. Gala: Oh! That is for revenue R&D.

Shanghvi: Of that 33 crores has been spent.

H. R. Gala: How much?

Shanghvi: 33 crores.

H. R. Gala: 33 crores has been spent, okay. Now total capex we said FY-2005 will be about 100 crores.

Shanghvi: That is correct.

H. R. Gala: then you said something about 150 crores, what was that for?

Shanghvi: That was 150 million,

H. R. Gala: Oh! 150 million, okay. So that is 15 crores.

Shanghvi: That is correct; 15 crores will be for Phlox.

H. R. Gala: Phlox, okay. Now my second question pertain to this sales breakup that has been given, consolidated, the bulk drug sales has been shown in bracket as 66.2 million as compared to 42.9, so this is apparently because of this regrouping? I am talking from the consolidated sales chart which has been emailed to us. The domestic bulk has been shown as minus 66.2 million.

Shanghvi: Just a minute. Mr. Valia is studying this and we will …..

H. R. Gala: No, no point, we can come back, there is absolutely no problem. Yes anyway, thank you sir.

Shanghvi: Yes thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 now. Next in line we have Mr. Rahul Sharma from Karvy.

Rahul Sharma: How many approvals do you expect in the current year and going forward sir?

Shanghvi: You are talking about the filings made out of India?

Rahul Sharma: Sir both I would say, India as well as Caraco.

Shanghvi: We don't expect any approval this year in India. We will expect some approvals, but I don't know specifically whether some approvals will come in Caraco. I cant give any specific numbers.

Rahul Sharma: Okay. So will it be too far for some indicative numbers.

Shanghvi: I cant give Caraco numbers because if they have not shared with their investors I cant share this with Sun shareholders.

Rahul Sharma: But sir going ahead, in a year, how many approvals we would see from your US business, both from India as well as from Caraco?

Shanghvi: I think once that cycle starts, then we will start seeing approvals based on filings. So last year if we filed 5 products, then we will receive those approvals some times when the products will pass. So I think within 18 months you will get approval, that is the type of time line. Since we filed last year most of the approvals at the end of the year, we expect at the beginning of the year some approvals out of Indian filing.

Rahul Sharma: Okay, thank you sir.

Moderator: Thank you very much sir. Next in line we have Mr. Madhusudan from Citi Group.

Madhusudan: Congratulations sir on nice performance. Actually I just wanted to get this change in accounting standard guide, are we to understand that you know some item has been taken out from the top line as well as from the cost line and that is what is inflating the EBITDA margins for the company in this quarter?

Shanghvi: Yes actually I think that is something that I also overlooked to explain about the overall growth number. Since we have removed certain numbers from top line as well as from material cost, it is impacting the overall numbers without impacting the bottom line. So for this quarter or for this year the overall growth will not be comparable to on a like to like basis, but from next year onwards it will become comparable.

Madhusudan: Okay. Thanks a lot sir.

Moderator: Thank you very much sir. Our next question comes from Mr. Tushar Chandra of Enam Securities.

Tushar Chandra: Good afternoon. I had a quick question on the accounting standard related question. You said you are not taking into account inter company sales, except for bulk drugs that are being shipped for formulations, is that correct?

Shanghvi: Can you come again?

Tushar Chandra: I had a quick question on the accounting for the inter unit sales, so you said I believe, I could not really understand, how bulk sales are, for example, export bulks to Caraco are being accounting for if they were being used in creating finished formulations?

Shanghvi: No, export bulk to Caraco from Sun gets eliminated when we merged Caraco.

Tushar Chandra: Okay. So on an ongoing basis, as ......

Valia: That earlier also we came to same issue, there is no difficulty there. So only the inter unit sale between Sun and SPIL and within Sun it was there, which we now eliminated, Mr. Shanghvi will be able to give you the number what is eliminated. Now what we have shared so far is the after elimination number. Now the amount which is eliminated for the six months.

Shanghvi: For the purpose of formulation it is about 156 million and for the bulk drug it is 177 million.

Tushar Chandra: Allright, thank you..

Moderator: Thank you very much Sir. Next in line we have Ms. Jyoti from Hindu.

Hello Ms. Jyoti are you on line?

We will go ahead with the next question. We have Mr. Rahul Sharma from Karvy.

Rahul Sharma: Sir does it imply that the growth figures that we had given for our bulks business and our domestic formulation business of growth of 20-25% plus in bulk and 13-15% stands on last years base or how does it work sir, could you throw some light on it?

Shanghvi: Yes I think the overall growth numbers will remain on the last years base.

Rahul Sharma: Even after the elimination sir?

Shanghvi: Yes after the elimination.

Rahul Sharma: Okay sir.

Moderator: Thank you very much sir. Next in line we have Mr. Nimesh of Mehta Advisory.

Nimesh: Yes good evening. My question is related to the decline in raw material cost. As I understand this decline is due to the partnership firm Sun Pharmaceuticals, because the decline is reflected in the SPI plus SPIL numbers. So first is my understanding correct, and second if yes what is that it has significantly affected the firm?

Moderator: Mr. Nimesh, could you pick up the handset if you are on a speakerphone?

Nimesh: Just hold on please.

Moderator: Mr. Shanghvi?

Nimesh: Hello can you hear me?

Moderator: Yes. Mr. Shanghvi, you can hear Mr. Nimesh?

Valia: Yes, please. With SPI & SPIL numbers merging, it has improved margins, irrespective of the elimination, but with the eliminations margins have further improved, plus what has eliminated is the cost as well as the sales, not having impact of the profitability. So it has also improved margin. Further on merger with the Caraco there is further improvement because of the lower cost of material at Caraco.

Nimesh: So the improvement in the cost is due to the accounting merger?

Shanghvi: It is not that significant, so earlier we had about cost of 34.5% which has come down to 33% when it is talking of Sun and SPIL, and when this merging to Caraco, then it is going down significantly further. So accounting entries is about 1–1.5 %.

Nimesh: Okay, so the impact of, I mean, the real impact is basically because of actual decrease in the raw material cost.

Shanghvi: Correct.

Nimesh: I see, okay, thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Rajesh from ICICI Securities.

Rajesh: Good evening and congrats for pretty good set of numbers. Just two questions, one on what is the guidance on number of filings for the US market both out of India and Caraco over the next 12 to 18 months, and are you looking to give any guidance for Caraco as of now or after the close of the calendar year; and lastly, in respect of FCCB Mr. Shanghvi did throw some light as to they could be reviving, is there any time line as to that and eventually what is the scenario in terms of is there any further update on M&A activity over the next 12 to 18 months?

Shanghvi: I think Caraco should be in line with the filings that they have had with increase to 6 products this year. Our guidance was also 5 products out of India this year, but up to September we have already filed 7 products, and we would be filing some products in the rest of the year. We have, may be, another 4 or 5 products we should be able to file this year. So we should be able to actually do much better than what we originally shared with investors. In connection with the FCCB, markets have changed and it should be possible for us to raise FCCB or convertible bonds if we are interested, as I explained, I think we should look at this only if the terms, in terms of yield to maturity for us, is in line with the kind of premium that we are expecting.

Rajesh: Caraco revenue guidance?

Shanghvi: I don’t think I can give Caraco revenue guidance till they give it to the investors, but we continue to actively look at the opportunities in the US and we believe that there are certain interesting options that are seriously worth pursuing. We cannot tell anything specific right now, at the same point of time, we have no specific, what you call, letter of intent or any transaction which is in an advanced stage at this particular point of time.

Rajesh: Thank you so much and all the best.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 now. Next we have a followup question from Mr. Tushar Chandra of Enam Securities.

Tushar Chandra: I have a question on a previous topic. You have talked about the expansion at Panoli and Halol. At Panoli you said there was a doubling in size, is this across the board, and then Halol could you shed some further light on the injectables formulations that will take place there, may be, speak a little bit about that, thanks.

Shanghvi: Yes, I think, broadly when we said doubling, we look at manufacturing capacity in each facility in terms of what is our capacity in terms of reaction litre capacity. So we have I think around 100,000 plus liters of reaction capacity at Panoli, after expansion, I think, it would double. That is what we meant by doubling the capacity. This is about Panoli, at Halol, we are in the process of commissioning a large injectable facility. Its large because, I think both in terms of area as well as in terms of the number of lines, it is significantly larger than the current facility. I think the overall investment for this would be in excess of Rs. 35 crores.

Tushar Chandra: Right, thanks.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sameer Baisiwala from JM Morgan Stanley.

Sameer Baisiwala: Hi! Good afternoon. First question is on the non US export business, how is the revenue dispersion as in may be the share of top three countries, the top three markets?

Shanghvi: I mean, Sameer we generally don't share this specific information. Broadly, I think the large markets are South East Asia then Russia and the Africa, we have just started exporting to South America.

Sameer Baisiwala: Okay. The next question is as far as the Caraco sales are concerned for the three quarters that we have seen, how would you split it between institutional sales and non-institutional sales and how does that compare with the numbers same time last year?

Shanghvi: We don't have that kind of operating information with us here; we can check with Caraco whether they share this with investors. Broadly, what I understand is that, they have a fair amount of the non-institutional business, even though institutional business constitutes a large part of their business. About the percentages, I don't think I wish to hazard a guess, but it should be less than 30% of their total sale.

Sameer Baisiwala: Less than 30% would be …..?

Shanghvi: The institutional business.

Sameer Baisiwala: I see, and going forward if I just say in the next two to three year period would this be going down or going up?

Shanghvi: Efforts would be to see that we get bigger share of business from the other segments, which is chains, wholesalers, and buying groups.

Sameer Baisiwala: Okay. One last question, you mentioned that the overall market share in the domestic market has been steadily climbing up, but in the relevant therapy areas that is CNS, Cardiovascular, how would you see the market share position, is it going up or?

Shanghvi: I think in cardiology and diabetology we are maintaining market share, in CNS, which is psychiatry and neurology, we are adding market share, in gastroenterology we are adding market share, I think in ophthalmology we are adding market share, so …..

Sameer Baisiwala: Respiratory?

Shanghvi: Respiratory is small part of our business, I mean, small we will be adding, but that is not material.

Sameer Baisiwala: Okay, that's all I wanted to ask. Thanks.

Moderator: Thank you very much sir. Next in line we have Mr. Huzaifa from TATA AIG

Huzaifa: Hi! My question is regarding the raw material cost, if I look at your Sun Pharma and SPIL, the Indian part of it, the raw material cost comes to 87 crores for this quarter, and you have mentioned that consolidation for the global subsidiaries happens on line by line. On the global number I see that the material cost is 70 crores. So 87 becomes 70, that is 17 crores drop, when you do a line-by-line consolidation. Now this, could you please explain, because raw material can't be negative?

Valia: We appreciate what you are saying. Now if you see then in totality for the first half rather than the quarter, then you will get the number and the justification to the answers which you are asking, and you will see that when you see that first half and the half of earlier, you will see there is an increase in the number. If I read the first half of the previous year, then it is 1661 plus 8, which is about 170 see we save 174, …….. 156 crores.

Huzaifa Topiwala: Sorry, could you tell that. Because I am adding that increase decrease in the stock in interest.

Valia: That is the scenario for the standalone.

Huzaifa Topiwala: That is 175, right?

Valia: 175, and as compared to …..

Huzaifa Topiwala: 151 consolidated.

Valia: Yes.

Huzaifa Topiwala: So again it is a drop.

Shanghvi: No, what he is saying is that how can the standalone number be higher than the consolidated ….. I think there are two issues which are happening, one is the consolidation and second is the removal of the top line numbers, because there used to be a certain sale from Sun to Sun Pharma partnership firm.

Huzaifa: Okay, but I am comparing that number with the line-by-line consolidation of the global subsidiaries. I am seeing SPI plus SPIL verses global consolidation.

Shanghvi: Can we come back to you, I think they are looking at this, but you have raised an important question, so we will answer this, if not, I think we will send an email to all of you to clarify this.

Huzaifa: Sure that would be helpful, thanks a lot.

Moderator: Thank you very much sir. Next we have a followup question from Mr. Gala of Quest Investment.

Gala: Yes, I think you rightly said Mr. Valia -I think this needs some clarification including the one question which I had raised that how this bulk sales is shown 66.2 million negative in the consolidated. So if you can send across an email subsequently, that would be great. Hello, my second question pertained to, will we be impacted significantly by the withdrawal of that Cox 2 inhibitor of Merck which has now been decided by the government that all the companies who are marketing the generics in India should also withdraw that product?

Valia: Our sale is about 20 lakhs a month.

Gala: Okay, so not much.

Shanghvi: To that extent we get impacted.

Gala: Okay. Thank you.

Shanghvi: Yes thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 now. Participants who wish to ask questions, 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. Shanghvi for final remarks.

Shanghvi: Thanks to all of you. About the material cost, we will be sending a clarification by to you email, and thanks for attending this conference. Bye.