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"Ranbaxy Laboratories Limited Q1CY13 Results Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Ranbaxy Laboratories Limited Q1CY13 Results Conference Call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Umang Khurana – Head, Investor Relations, Ranbaxy Laboratories Limited. Thank you. And over to you sir.

Umang Khurana: Thank you Hello everyone and welcome to the Ranbaxy post results conference call for Q12013, that is for the quarter January to March 2013. Earlier in the day, the company issued a press release detailing the financial results for the quarter. The press release and the presentation that the management will discuss with you now will be uploaded on the company's website for your reference. Today, on the call, we have with us Mr. Arun Sawhney – CEO and Managing Director of Ranbaxy, who will be the first speaker. He will discuss the highlights of the company performance. And Mr. Indrajit Banerjee – CFO and President at Ranbaxy, he will be the next speaker and he will detail the financial performance of the company for the quarter. Post the presentations we will be happy to take your questions. We have budgeted an hour for the call today. Over to you, Mr. Sawhney.

Arun Sawhney: Thank you, Umang. Good day everyone and thank you for joining us on the investor call to discuss Q12013 financial results of Ranbaxy. Sales during the quarter were Rs.24,398 million, a decline in sale was primarily on account of large contribution to sales from exclusivity opportunities in Q1 2012 when compared to the contribution to the sales in Q1 2013. Sales excluding FTF and AGs grew by over 10% over the corresponding quarter last year. EBITDA margins in the quarter were around 6%, recovering from the preceding quarter's impact. Focus on performance of key products and measures to control cost continued during the quarter.

Absorica™ the Novel Drug launched by Ranbaxy in the preceding quarter for the treatment of severe recalcitrant nodular acne in patients 12 years of age or above gained over 9% of market share. Exclusivity period of Actos® that is Pioglitazone hydrochloride tablet, launched in Q3 2012, came to an end on February 15, 2013. In this competitive product, Ranbaxy had gained over 31% market share during exclusivity. Currently, Ranbaxy has 24% market share for this product.

The company received approval for Desvenlafaxine tablet under deployment and supply agreement with an Indian partner. Desvenlafaxine is a 505(b)(2) NDA drug which provides a cheaper alternative to the currently marketed brand Pristiq®, brand size of $590 million for treatment of depression. This product would require building of demand through trade. The product was launched in April 2013. Relatively speaking, developed market sales have been impacted by the absence of exclusivities as compared to the corresponding quarter last year. Excluding FTFs and AGs sales in these markets grew by over 20%. Branded sales including OTC were Rs.12,238 million while generics sales including API were Rs.12,160 million. Primary sales in India grew 11% during the quarter. USA-based business sale excluding first-to-file grew over 40%. Business performance in emerging markets

of East Europe and CIS and Africa was strong with 15% and 23% growth respectively. West Europe on the other hand was adversely affected by the difficult market conditions.

Let us now discuss functional performance. Ranbaxy resumed supplies of Atorvastatin in the USA market during the quarter. During the quarter 3 ANDAs were filed; of which, 2 are potential FTF. In yet another development to the Hybrid Business model between Ranbaxy and Daiichi Sankyo, the two companies decided to take advantage of the synergy to expand the business of both the companies in Brazil. Daiichi Sankyo would promote some products of Ranbaxy as branded generics. Ranbaxy will continue to independently promote Ranbaxy's generics products and also enter into branded generics market in Brazil. Both companies continue to work on multiple other complementary synergies on the front end and other parts of the value chain.

With regards to other significant development during the quarter, on the Consent Decree that we signed with USA, authorities at the end of the previous year progressed satisfactorily.

On the financial side, with respect to the derivatives position, the total leveraged position at the end of Q1 2013 was $962 million, down from $1.07 billion from the preceding quarter. On an average, $36 million worth of derivatives mature every month. The run rate is expected to on track further in the coming quarters. Total debt for the quarter was $824 million. Cash position during the quarter was $658 million leading to net debt position of around $167 million.

Let us now consider the results for the quarter by geography. Sales for the quarter were Rs.24,398 million. While this is a decline of over 35% over the corresponding quarter last year, sales excluding FTF and AGs grew by more than 10%. Overall, sales grew in most emerging markets including India, EU, CIS, Africa and Middle East.

Moving on to regional sales details, North America sales were Rs.6,892 million which is 69% lower than the corresponding quarter which had a large contribution from Atorvastatin first-to-file and Amlodipine plus Atorvastatin AG. Relative contribution from AGs has been comparatively smaller in the current quarter.

USA business sales for the quarter were Rs.5,956 million. As mentioned earlier, the company gained traction in Absorica™ Amlodipine and Atorvastatin sales continued well during the quarter. During the quarter the company also relaunched Atorvastatin in the USA market. Atorvastatin remains a key product for Ranbaxy in USA and around the world. While the current market share for the product is less than 2% the company believes it will be able to regain good market share based on its relationship with trade and backward integration for the product.

Sales for India were Rs.5,427 million in the quarter which is a 11% higher than Rs.4,887 million from the corresponding quarter in 2012. Overall, our growth in represented segments was faster than the market growth rate which slowed down to around 8% during the quarter.

Ranbaxy continues to maintain leadership position in a represented market in Romania and Russia amidst the ongoing regulatory changes and FOREX volatility. For the quarter sales in the region were

Rs.3,604 million, an improvement of over 15% over the corresponding quarter last year. Of this, Romania sales for the quarter were Rs.1,586 million. Russia sales for the same period were Rs.1,107 million, led by OTC sales growth due to extended winters in Russia.

Sales in West Europe were Rs.2,018 million for the quarter as the macroeconomic indicators continued to be the challenge for the business environment in the region. Led by France, UK and Spain, performance in the region was low. The West Europe markets are also impacted on a like-to-like basis when we exclude first-to-launch sales from the previous year. Weak performance in the region was somewhat compensated by the company performance in Germany which was helped by award of tenders in that market.

Coming to Asia-Pacific and LATAM, the region had sales of Rs.1,659 million of Q1 2013, impacted adversely by US dollar appreciation against most of the local currencies. Sales in APAC was Rs.1,156 million. LATAM sales were Rs.503 million. Sales have been impacted primarily due to absence of Atorvastatin sales in Australia.

The company received approval to set up a Greenfield manufacturing facility by the Government of Malaysia. The new proposed manufacturing facility in Malaysia is planned to primarily service strong government market in Malaysia.

Sales for Africa and Middle East region for the quarter were Rs.2,983 million. Growth came especially from Sonke which has contributed to stronger sales performance in the region. Africa region is an important market for the company and we remain committed to our business over there. For our focus markets in Africa, the company is working towards strengthening infrastructure especially in Egypt and Nigeria.

Sales for the API and others were Rs.1,815 million for the quarter. Ranbaxy has focused on profitability more than top line in API. We are working towards consolidating our presence in markets and the customer base. With this we will grow a sustainable profitable business for our API business. Indrajit will now take you through the financial performance for the quarter. Over to you, Indrajit.

Indrajit Banerjee: Thank you. Good day everyone in the call. I will run you through the financials declared earlier in the day. Sales for the Q1, as mentioned earlier was Rs.24,398 million which is lower than sales in the corresponding quarter of the previous year, mainly due to the higher and comparable FTF sales in the previous year. Base business however grew by over 10% during the quarter. Other operating income was Rs.607 million in the quarter, down from Rs.723 million in the corresponding quarter of the previous year, mainly on account of lower FTF related export incentives as well as the discontinuation of some non-compete fees which were there in the earlier quarter. Material consumption was Rs.8,979 million. Excluding FTF as a percentage to sales consumption was 37% which is an improvement in this expense head over the last four quarters. Employee costs were Rs.4,862 million in the quarter against Rs.4,739 million in the corresponding quarter of the previous year. Growth over the corresponding quarter is mainly on account of some increase in manpower, especially in the quality control function and normal salary revision. Also, employee benefit expense for the quarter ended 31st March 2013 is net of the reversal of over Rs.300 million, representing the impact of revision in a

defined benefit plan applicable to certain employees of the company. Claims and contractual payments were limited as the AG Actos concluded in the previous quarter. Other operating expenses amounted to Rs.9,236 million which when compared to the percentage of sales without FTF was about 38% for the quarter. This includes higher CD remediation related expenses which impacted margins first as well as certain brand building expenses into Absorica™ which were incurred during the quarter. Interest and other income and depreciation, amortization and impairment were broadly consistent with the earlier quarters. Finance cost was higher at Rs.525 million in the quarter versus Rs.187 million in the corresponding quarter, mainly on account of increase in debt, as also because of the part of the FOREX loss is apportioned to financing cost in accordance with the accounting standards now being followed. Exchange rate of 54.31 has been taken as on 31st March, 2013, versus 54.76 which was taken as on December end. This difference in the exchange rate accounts for the gain in foreign exchange that is shown below the EBITDA line and that was mainly to the impact of foreign exchange on the derivative which is still outstanding with us. There is also a FOREX loss of Rs.357 million in the current quarter, recorded above the EBITDA line, mainly due to trade transactions and fixed deposit dollar asset that the company has. Tax for the current quarter was 21% on the consolidated. This is mainly for US, Romania, Russia, South Africa entities which recorded profit in their local legal entities during the quarter. EBITDA for the quarter, just to highlight that was Rs.1,549 million, about 6% in the current quarter. Now, while explaining the EBITDA, I must also make a mention of the fact that while this represents 6% but there are other exceptional items which are there in the expenses and the income above the EBITDA line. For example, the most prominent one there being the CD remediation related expenses, there were also certain adjusted and the reversals due on account of the Atorva recall which had happened in the earlier quarters, the FOREX loss has been mentioned there of Rs.357 million which is above the EBITDA line and there is also a writeback of pension fund. So, all these taken together, if one were to put a number to these major exceptional items, it would be about 3.5% and therefore, with these adjustments taken, we believe that our normalized EBITDA for the quarter would be somewhere between 9-9.8% around that. With that summary, I will hand it back to you.

Umang Khurana: We will now open for Q&A please.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Aditya Khemka from Nomura. Please go ahead.

Saion: This is Saion from Nomura. A question on margin, you have given adjusted margin of 9-9.8%. Going forward, do you see further improvement likely this year itself? And if you can broadly guide as to what kind of margin we should expect for this calendar year?

Arun Sawhney: The answer for the first part of the question is yes, we should expect improvement and that is what I had maintained that if we take tranches of half year, every half year we should see improvement on the previous half year**.** We are not at the moment giving guidance, but the terminal year being at the end of a plan period, we should be in one of the healthy pharmaceutical companies, with the EBITDA margins that the market opportunities offer at the time, to be amongst the best-in-class companies. So you will see, in every half year tranches, continued improvement in our EBITDA margins.

Saion: And second question is any update on Diovan, how are things progressing there?

Arun Sawhney: In case of Diovan, we can only maintain what we have said earlier. So upon receiving approval from FDA, we will launch a product. Beyond that I do not want have any update to offer.

Moderator: Thank you. The next question is from the line of Ranjeet Kapadia from Centrum Broking. Please go ahead.

Ranjeet Kapadia: My question relates to Atorvastatin generics. Currently, we have 2% market share. Currently, how many players are there in the market? And how confident are you to improve this market share from this level?

Arun Sawhney: I do not know exactly how many active players are there. It could be 6 or 7. It will take us time definitely, but we will build back our market share in the current year.

Ranjeet Kapadia: How soon you will you be able to reach double-digits?

Arun Sawhney: I do not know what are the prevailing stocks in the market in the pipeline but nevertheless, I think we would not like to give guidance by which time, what kind of market share we would achieve. But suffice to say that we will keep improving our market share there every quarter.

Ranjeet Kapadia: What is the CAPEX guidance for the current year?

Indrajit Banerjee: During the first quarter we spent 120 crores for the group. Going forward, we expect that there would be some amount of acceleration because we bought a few manufacturing facilities where the construction is moving ahead at full speed and so there will be some amount of acceleration, we are not in a position to give guidance for the year as a whole, but we should certainly be at a level higher than the actual run rate of the first quarter.

Moderator: Thank you. The next question is from the line of Bino Pathiparampil from IIFL. Please go ahead.

Bino Pathiparampil: Just following up on the question on Diovan, is there a certain deadline by which you should get approval to maintain your 180-day exclusivity?

Arun Sawhney: Not to my knowledge.

Bino Pathiparampil: And second question on Pristiq, what is the kind of uptake you are seeing in market share, how soon do you expect to ramp up the volume share?

Arun Sawhney: We have just launched the product in April and it is a 505(b)(2). It is too early to start commenting on uptake. Let us wait for a quarter and then we will come back with more reasonable comments.

Bino Pathiparampil: On Absorica, you seem to be doing well. Could you explain a little bit on that market, competition that has come in and where do you see it panning out, that product, over the next few quarters?

Arun Sawhney: Ours is a differentiative Isotretinoin Absorica. It should continue gaining market share in the coming quarters. It is a differentiative and a superior product.

Bino Pathiparampil: When you say 9% market share, what is the total market size that you are taking it to account?

Arun Sawhney: Isotretinoin market is around somewhere on the north of $400 million. So that is the opportunity size. How much of that opportunity we grab in Absorica™ is to be seen.

Moderator: Thank you. The next question is from the line of Anuja Desai from Edelweiss Securities. Please go ahead.

Manoj Garg: This is Manoj Garg. Mr. Sawhney, just would like to understand that as per the retail price in the US, currently Absorica™ is being sold almost 2, 2.5x than the generic brands which are available in the US market. And as in the previous question you say that the total market of Isotretinoin is around $400 million. Then is it fair to assume that the branded market size for us will be anywhere in the north of around $700 million?

Arun Sawhney: We have not made that kind of an assessment yet. I think we should wait for Absorica™ to gain more traction before we start saying where does that market stands for as a branded product.

Manoj Garg: Previously, we had some settlement with the Innovator on the Oxycodone which was immediate release and I think of late now FDA has discontinued that IR preparations and they are talking about the tamper proof. Do we also have the filing on the tamper proof or any comment on that side on Oxycodone?

Arun Sawhney: We will protect the value of our FTF. At the moment I can only give you that guidance. So on all the FTFs that we have, we are confident we will be protecting our value.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: On this other expenses, is it a large chunk of the increase in other expenses because of remediation measures? When do we see this base getting normalized because we are already at say 37, 38% of sales as you mentioned? Do we see this essentially being a base in the run rate to maintain 960, 970 crores sort of a number that we are running with, 920, 930 odd crores we had the similar numbers in Q4 also?

Arun Sawhney: No, I do not think you should just extrapolate a figure over four quarters. I think this we will report quarter-to-quarter as we incurred and it depends on the intensity of the remediation investigation and so on. So it will not be fair to assume that you can extrapolate one quarter's expense over four quarters.

Nitin Agarwal: When the annual report came out, although you mentioned that also in the opening remarks, there has been a very strong increase in the sales and marketing expenses over the last 2-3 years. So which part

of the business is most of the sales and marketing effort really going towards because it does not really seem to be reflecting in the revenue growth numbers?

Arun Sawhney: There is always a lag. We have said in our strategic focus that we will be investing more and more on the branded side of the business. In branded side of the business you do not get results very quick after having made the investments but over a period of time that will pay us good dividends.

Nitin Agarwal: When do you inflexion point of source really coming on that trajectory, 1 year, 2 years or?

Arun Sawhney: Like I mentioned in the past, you should see improvement in our business performance and margin because of the shift to branded side of the business in every half year tranches. So over a period of time you will see a significant shift.

Moderator: Thank you. The next question is from the line of Prakash from CIMB Securities. Please go ahead.

Prakash: This is Prakash from CIMB. Just wanted to check on 2, 3 things. One is on the filings. You said your filings were three. So you have guidance on number of filings for the year?

Arun Sawhney: No, we do not have guidance on the number of filings, but every quarter we will report what are the filings and what is the nature of filings. We have made 3 filings, of which we believe are potential FTF. We will continue reporting our filings every quarter.

Prakash: Last year you did 5 filings as a whole?

Arun Sawhney: Yes.

Prakash: So the filing rate has increased?

Arun Sawhney: You can assume that the rate of filing will increase. Definitely, yes.

Prakash: And this is from your facilities?

Arun Sawhney: The 3 filings are from Ranbaxy facilities.

Prakash: And just a follow up on the remedial action. You said you cannot extrapolate. So does that mean by say end of third quarter we would actually see this US FDA issues fully resolved and then the cost not getting impacted or what was your …

Arun Sawhney: That was not the guidelines and that is not the comment I made. Earlier when I was asked when would the settlement take place, you could not really say a point in time when that would have taken place. Same is the issue now. I cannot give a firm date by when the whole remediation process will be over. But as soon as we are close to them, I will voluntarily inform you.

Prakash: Is this directly linked, right? What I am trying to ask you is when we see this cost coming down, we should assume that the resolution in near-term or has already been resolved, is it?

Arun Sawhney: You can assume that we are making good progress towards resolution.

Prakash: No, what I was asking was, when the cost starts to go down, we should think that it is nearing resolution.

Arun Sawhney: That is what I responded to. When the costs begin to go down, you should presume we are making good progress towards resolution.

Prakash: You are saying by fourth quarter you should see this?

Arun Sawhney: I did not say by fourth quarter you should see this. I am telling you cannot extrapolate costs. And when you see consistently costs going down quarter-over-quarter at that point in time it will be safe for you to presume that we are making good progress towards resolution.

Prakash: Last question, 35.7 crores was fixed deposit, could not get it actually, what was this loss?

Indrajit Banerjee: The FOREX loss is 35.7 crores. That is the trade related foreign exchange cost which is essentially when the rupee appreciated in the last quarter, therefore we got a gain on the derivatives, which is a liability, which is below the EBITDA line and we got a cost on the asset which has gone above the EBITDA line. That is a main one.

Prakash: For Mr. Sawhney, what would be the normalized other expenses, just broad sense would help?

Indrajit Banerjee: I do not think we are in a position to give you that. If you look at the other expenses, obviously, one exceptional element there is the remediation related expenses which are there. All of what Mr. Sawhney just explained earlier on in this call, one will have to see how that moves to get into a situation where we can estimate what the normalized expenses are. So I guess we will just have to…

Prakash: Are we sharing what is the number excluding the remediation…?

Indrajit Banerjee: No, we are not.

Moderator: Thank you. The next question is from the line of Hitesh Mahida from Fortune Financial. Please go ahead.

Hitesh Mahida: Basically, just wanted to know, we have around 54 field force in the US right now. Just to take an example of Absorica™ there are close to 3,000 dermatologists in the US. So do we think that the current field force is sufficient enough or are we going to increase it further going forward? And second is when can we expect a launch of Atorvastatin from Mohali plant?

Arun Sawhney: First part of the question on the field force, the local team in the US is taking appropriate measures on what should be the field force and what part of the total dermatologists universe will be targeting for Atorva. So they are taking appropriate actions and we do not want to get into those numbers there. At the moment, we are supplying Atorvastatin to the US market from Ohm laboratories because that was

the fastest way to logistically also get into the market. So we will first like to stabilize the business of this channel and then we will think of bringing it back to Mohali.

Moderator: Thank you. The next question is from the line of Kartik Mehta from ICICI Securities. Please go ahead.

Kartik Mehta: Can you share the R&D expense for this quarter and is there a number that you can put for the year?

Indrajit Banerjee: Actually it is there, you will find it in the press release which is that we spent Rs.102 crores in the standalone. The only issue it is in the standalone. But most of the expenses are…..

Kartik Mehta: What would be the consolidated number?

Indrajit Banerjee: It is about Rs.145, Rs.146 crores.

Kartik Mehta: Can you put a number for the year or can that be extrapolated?

Indrajit Banerjee: We have not given any guidance on it but it will go up and down depending upon how exhibit batches, etc., and how things will pan out. But I do not think we are totally off from the normal sort of expenses in the first quarter but it may go up a little bit.

Kartik Mehta: On Nexium, now that comes exactly almost a year from now, that is when the patent expires. Can you throw some light on where we are in terms of the formulation supplies to Innovator? Any update on the approval status? And is it in anyway linked to the remediation measure that we are talking about now?

Arun Sawhney: I think for this we will have to wait till May 2014.

Kartik Mehta: The patent expires in May 2014?

Arun Sawhney: I think closer to that time we will make any comments. We are not going to make any comments now.

Kartik Mehta: So is it fair to assume the sales of API that we have now would that include any API sales that we do to the Innovator under our settlement in the past or is it actually recorded under some other ad?

Arun Sawhney: It is a total universe of API sales that we make.

Kartik Mehta: So which includes Nexium also, right?

Arun Sawhney: Yeah.

Moderator: Thank you. The next question is from the line of Surya Patra from Systematix Shares & Stocks. Please go ahead.

Surya Patra: It seems you have enhanced your focus towards filing FTF based ANDAs. Last year you have filed 5 FTF and this quarter you are indicating that out of the 3 ANDAs that you filed the potential FTFs are 2, so what is your filing strategy or what is the strategy towards those exclusive opportunities or what is your growth strategy for the US in the longer-term , can you just brief us?

Arun Sawhney: First-to-file is good to pursue but we can never be sure that you still have a solo exclusivity till a later point in time. So we will continue to pursue first-to-file opportunities. Additionally, we will pursue the following two. We will look at differentiated products to be brought in the portfolio for our US business also and the third would be to expand the branded franchise on the derma space. These three would be our growth drivers in the US.

Surya Patra: So is it fair to believe that the base business supported by the initiatives that you have taken, that you will maintain or sustain the growth momentum around 10% to what we are currently seeing in that?

Arun Sawhney: I think it should be higher in the future.

Surya Patra: In fact, we are not hearing anything on the margin front. That is fine, but is it possible to share with us that which are the key factors those are keeping the margins under single digit number for Ranbaxy, is it the remediation measures that the expenses related facilities for the Paonta Sahib, Dewas and all that or something else or what are the key forces that is keeping the margins under pressure?

Indrajit Banerjee: These exceptional items which I mentioned earlier on, so that is one. The other part of course is that as you see our volumes drive and the fixed cost operation, you see a significant improvement in the margins as the volumes rise. So a lot depends upon when Mohali plant produce for the US market. When other plants start producing for the various markets for which filings have been done but sales have not yet begun. So all that happens and of course higher volumes in the market and in the products that we are currently selling. When all that sort of gets going and volumes rise without corresponding rise in expenses, you will see the margins coming down. That is one side of the story of course. The other side of the story, as we have been mentioning in the past and you see some benefit of that in this quarter is that our expense control, our focus on expenses, our focus on improving productivity, efficiency in the various units that is running simultaneously. So when you see the combined benefit of volumes and new products and more products in the market as well as the result of the productivity improvements that together would sort of lead to the growth in margins as we have been talking about earlier.

Surya Patra: Finally, what is the progress that you are seeing for your new molecule that is antimalarial product? Because recently Sanofi has come out with a semi-synthetic based antimalarial product. So any comparison that you have established with your product. What is the progress that you are seeing for your own product? Something on that.

Arun Sawhney: The progress is pretty good. We are quite satisfied with the development of the sales. Till date we have sold in excess of 650,000 packs which means 650,000 patients have received our medicine over last one year. This was only for plasmodium falciparum and in India. So we have in mind to expand the indication to falciparum vivax and also start filing our regulatory dossiers in African countries in

2013. So going ahead, I think we would see even better performance of falciparum in India as well as outside India.

Surya Patra: So as of now it is in India only?

Arun Sawhney: At the moment we are selling only in India because we have approvals only in India.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from MP Advisors. Please go ahead.

Vivek Agarwal: Your cost of sales have declined by around 22% quarter-on-quarter basis and it has resulted around more than 600 basis points improvement in your gross margin. So I just want to understand what is driving the improvement in gross margin and is it sustainable going forward?

Indrajit Banerjee: You see that the total material cost for the quarter there is a significant reduction. If you are looking at sequential quarter I think it was something like 42% down to 37% in the current quarter. So there is a significant improvement there. Obviously, it is because of various reasons, including improved efficiencies, product…. etc. So that is one major area. And if you see the other items of the expenses as well, as a percentage of sales there has been improvement. Of course, the one odd thing out there is the remediation expenses. So you will have to take a note of that but otherwise on the material consumption line, on the other expenses line, you see that there has been improvement relative to sales. So that is all combined to improve the margins.

Vivek Agarwal: Can we assume that this run rate is going to be sustainable?

Indrajit Banerjee: You heard Mr. Sawhney say earlier that you look at it on a every half year results, we should be in a position to improve our profitability as we go along. So that is the objective and all the things that we have said about improvement of productivity, improvement of sales and our focus on cost. So, if you put all those together the company will certainly not only sustain, but we would also like to improve upon the margins that have resulted in the last quarter.

Vivek Agarwal: On Nexium, would you be able to retain your 180-day exclusivity if your product approval were delayed beyond the scheduled time?

Arun Sawhney: We will comment on this in May 2014.

Vivek Agarwal: Many of your subsidiaries in Western Europe are making losses or showing very low profitability. So I just want to know…

Arun Sawhney: It is not only the Ranbaxy, it is a known fact that the profit margins are very squeezed in that Western European market. We will look at Western Europe market as an opportunity market and the opportunity is where it makes sense for us to do business we will do. Even looking at it as an opportunistic market I think it is a pretty interesting market to be in.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Are we producing anything right now for the US from Mohali facility?

Arun Sawhney: No, we have only Atorva approval for the US from the Mohali facility.

Nitin Agarwal: But what is the plan really for this facility over the next say year, year and a half, two years?

Arun Sawhney: There are other markets which the facility will also cater to as regulatory approval start coming through. So I think later this year we should see supply going to other markets also from this facility.

Nitin Agarwal: But from a US perspective, you do not see much utilization from this facility?

Arun Sawhney: As and when the approvals come, of course. In the coming years, major supply from India going through from this facility.

Nitin Agarwal: Because my understanding was that once the facility is approved, our one big margin lever for us was to shift production from the Ohm facility to Mohali, but we never really went beyond Atorva approval, so is there anything which is holding us back from shifting some of the products from Ohm to Mohali?

Arun Sawhney: No, I think it is a question of time. As and when the approvals will come through, we will start shipping products from there.

Moderator: Thank you. The next question is from the line of Arvind Bothra from Bank of America-Merrill Lynch. Please go ahead.

Arvind Bothra: Mr. Sawhney, just a question on the domestic market. Do you think the 11% growth that you talked about in the quarter is satisfactory or is it something on the market trends that is slowing down, where would we see Indian domestic formulations business going in the coming year or so?

Arun Sawhney: It is difficult for me to say whether that is satisfactory or not. I will have to compare that with the market growth. Our estimate is that market has grown by around 8%. If the market has grown by about 8% and we have grown by around 11% then we have beaten the market. It would be our endeavor that over a period of time continuously that we should be beating the market growth and we should be beating the market growth by some interesting margins. That is our expectation from the opportunity in India.

Arvind Bothra: But do you think a large part of this growth was driven by the Consumer Healthcare division or was it Formulations driven as well?

Arun Sawhney: Both.

Arvind Bothra: Second question I have is that I may have missed, can you give us the translation rate for the previous quarter and the current quarter just to understand the movement, average…?

Indrajit Banerjee: March quarter end was 54.31; December quarter end was 54.76; previous year March 31, 2012 end quarter rate was 51.22.

Moderator: Ladies and gentlemen, due to time constraints no more further questions can be taken. I would now like to hand over the floor back to Mr. Umang Khurana. Over to you sir.

Umang Khurana: Thank you everybody for coming in. We have uploaded the presentation on the website, the press release is also on the website and look forward to discussing with you further. Thank you so much. Have a good day.

Moderator: Thank you. On behalf of Ranbaxy Laboratories Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.