Ranbaxy Laboratories Limited
Post Results Conference Call for Quarter 2, 2012
August 09th, 2012

SPEAKERS:

Arun Sawhney, CEO & MD
Indrajit Banerjee, President & CFO
Umang Khurana, Head-Investor Relations

Moderator: Good afternoon, ladies and gentlemen. I am Anchal Rastogi, the moderator of this call. Thank you for standing by and welcome to Quarter 2 calendar year 2012 Post Results Conference Call of Ranbaxy Laboratories Limited. For the duration of presentation, all participants' lines will be in a listen-only mode, and there will be a presentation followed by a question-and-answer session. I would like to now like hand over the conference call to Mr. Umang Khurana, Head-Investor Relations from Ranbaxy. Over to you, sir.

Umang Khurana: Thank you. Hello, everyone and welcome to the Ranbaxy Post Results Conference Call for the Quarter 2, 2012, i.e., April to June 2012 and half year ended June 30th 2012. Earlier in the day the company issued a press release detailing the financial results for the quarter and the half year. The press release and the presentation that the management will discuss with you will now also be uploaded on the company website for your easy reference.

On the call today 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. Mr. Indrajit Banerjee, CFO and President at Ranbaxy, will be the next speaker. He will detail the financial performance of the company for the quarter.

Post the presentation we will have time to address your questions as well. We have budgeted an hour for the call. Over to you, Mr. Sawhney.

Arun Sawhney: Thank you, Umang. And good day to everyone on the call, and thank you for joining us on the investor call to discuss Quarter 2, 2012 financial results of Ranbaxy.

Sales in the second quarter of 2012 was over $588 million, a robust growth of 37% over the corresponding quarter in 2011. This translates into 55% growth in Rupee terms for the same period. The stronger performance in the quarter was led by a continued improvement in the base business sales and strong sales of the exclusivity products. The EBITDA margins in the quarter were at 16%, up from 10% of sales in Quarter 2, 2011.

Stronger sales and continued focus on costs led to the improvement in margins during the quarter.

Now I will mention about the launches of Ranbaxy in Quarter 2. We launched the first new drug from India, Synriam, for the treatment of Plasmodium falciparum malaria. The work is going on to take this product to the other emerging markets as well.

In continuation to the focus on differentiated value added product filings that we had spoken about in the past, I am happy to report that the company received NDA approvals for two such products from the US FDA. I will be detailing these products a little later in the presentation. During the quarter aided by exclusivity sales, developed markets contributed to a larger portion of the total company sales. On the other hand, when we consider sales excluding the exclusivities, emerging markets were around 60% of our sales for the quarter.

We will go into region-wise details later in the presentation. The uncertain economic world order has led to across the board depreciation of currencies against the presumably stronger US dollar. This is true also for the emerging market currencies from where we get around 60% of our base business.

Several businesses performed well in local currencies for us. In actual dollar terms, this does not get reflected correctly.

To reflect like-to-like performance while we discuss sales in US dollar, the sales growth numbers will be shown on constant Forex basis.

Let us now discuss the functional performance. In the quarter, the export supplies of Atorvastatin Dosage Forms to the USA from the new Dosage Forms facility at Mohali expanded further. Supply of Atorvastatin Dosage Form from the Ohm facility in the USA has been largely shifted to Mohali facility now. The strategy for the developed markets is to expand base business and also address niche opportunities that we have high barriers to entry and limited competition that makes the business model more attractive.

As a result of focused approach towards creating differentiated value added products as I mentioned earlier, Ranbaxy was rewarded with two NDA approvals in the dermatology segment; one being the CIP- Isotretenoin and the other being Minocycline.

In yet another development to the hybrid business model that we have been talking of regularly between Ranbaxy and Daiichi Sankyo, Ranbaxy will market Sevikar, a fixed dose combination of Atorvastatin and Amlodipine from Daiichi Sankyo in Romania.

Initiatives are now under way in almost every part of the value chain to realise synergies between Daiichi Sankyo and Ranbaxy. This covers R&D, development, manufacturing of API's, manufacturing of formulations, marketing its products, procurement, supply chain, across the value chain of pharmaceutical business.

With regards to other significant developments during the quarter, on the consent decree that we signed with the US authority at the end of previous year, the progress is satisfactory and per plan. Nine Ranbaxy facilities across the world were inspected by international regulatory bodies during the quarter.

On the financial side, with respect to the derivatives position, the total leverage position at the end of the Quarter 2, 2012 was around $1.3 billion, down from $1.5 billion from the preceding quarter and $1.60 billion at the end of 2011. On an average, $40 million worth of derivatives mature every month. You will notice when Indrajit takes up the financials, the significant impact of the currency volatility on derivatives valuation during the quarter owing to the dollar appreciation.

Let us now consider the results for the quarter by geography. Sales for the quarter were, as I mentioned earlier, $588 million with half year ended with June 2012 sales being $1.32 billion. Overall, sales grew in most large businesses and regions on local currency terms.

Moving to regional sales, our North America Sales were up 145% with improvement in base business contribution and sales of exclusivity products in the USA. USA sales for the quarter were $255 million, while for the half year it was $656 million. The USA base business further strengthened to now around $80 million - $85 million and is expected to grow further as we maintain leadership in Atorvastatin in USA.

During the exclusivity, Ranbaxy touched peak market share of around 55% of product sales of Atorvastatin and over 50% for Atorvastatin plus Amlodipine. The exclusivity for these products ended on May 29th 2012, and post-genericization, Ranbaxy continues to be dominant leader with over 40% market share Atorvastatin against competition from Indian and international competitors.

Coming to India, the sales for India, including Sri Lanka, were Rs.5,540 million in the quarter, which is 13% higher than Rs.4,905 million for the corresponding quarter in 2011. For half year sales in India were Rs.10,542 million against Rs.9,342 million which too was a growth of around 13% in Rupee terms.

Our consumer health sales were Rs.982 million and Rs.1,715 million for the quarter and a half year respectively. While the overall Indian pharmaceutical market seems to be slowing down to around 15% or less levels, Ranbaxy sales have grown or have begun to grow to improve our double digits now. Overall, our growth in our represented segments was faster than the market growth rates.

When we consider the Indian Rupees to a dollar impact, the weaker Indian Rupee versus the corresponding quarter Q2 of 2011, has an adverse impact on sales in dollar terms.

As you are aware from the beginning of this year, for sharper focus on markets, we split our Europe regional business into two, East Europe &CIS and West Europe. Ranbaxy continues to maintain leadership position in its represented markets in Romania and Russia amidst the on-going regulatory changes, and the large Forex volatility as mentioned earlier. For the quarter sales in the region were $52 million, an improvement of 5% over the corresponding quarter previous year, while half year sales were around $110 million. Of this, Romania sales for the quarter and the half year were $21 million and $46 million respectively. As mentioned earlier, we began marketing Sevikar in Romania.

Russia sales for the same period were also $16 million and $33 million respectively. Sales in West Europe were $50 million for the quarter and $93 million for first half 2012 even as macroeconomic indicators continue to be a challenge for the business environment in the region.

RANBAXY LABORATORIES LIMITED

Performance improved in the region as we came through the concerns in UK with improved sales and products, and refined and finalized our business model with stronger sales in Italy. On the first half-year basis, the launch of Atorvastatin also helped performance in some of the West European markets.

Coming to Asia Pacific and Middle East, the Asia Pacific region had consistent sales of around $27 million for the quarter, Quarter 2, 2012, impacted adversely by US dollar appreciation against most of the local currencies. Sales for the first half of the year 2012 were $58 million. The Australia and New Zealand group sales grew over the corresponding period with the launch of Atorvastatin earlier in the year. In effect, the Australian business as a whole has been helped by the Atorva launch in the country. While Thailand sales, supply challenges, led by slumps in the country, Myanmar and Malaysia sales grew better during the quarter.

Sales for the Africa region for the quarter were $46 million and for the first half of the year they were $91 million. As was the case in most of the emerging markets, the dollar sales being weaker as an impact of weaker currency was felt in Africa as the South African ZAR depreciated by around 16% over the corresponding quarter in the previous year. The Africa region is an important market for the company and we remain committed to our business there. For our focused markets, including Africa, we will continue to strengthen our business with necessary infrastructure and investments as maybe required.

Sales for the LatAm region were lower at $9 million for the quarter and $18 million for the first half of 2012. Sales were lower due to transient supply disruptions in the region. We should be able to correct the internal challenges in very near future.

Coming to sales for API and others, this stood at $31 million for the quarter and $64 million for the first half of the year 2012. Ranbaxy's focus on API business was on profitability and not on top line. We are working towards consolidating our presence in the markets of our interest and with a good customer base. With this, we will grow a sustainable profitable business for our API business. I would now request Mr. Indrajit Banerjee to take you through the financial performance for the quarter. Over to you, Indrajit.

Indrajit Banerjee: Thank you. And good day to all of you on the call. I will quickly run through the salient features of the financials which must be there with you now. The sales in Quarter 2 showed a growth of 55% in the Rupee terms over the corresponding period in the previous year, primarily on account of a strong base business sales as well as higher sales of FTF mainly Atorvastatin and the authorised generic Amlodipine + Atorvastatin in Quarter 2 when compared to a lower FTF sales in the previous year corresponding quarter of Donepezil.

The business in geography by sales has already been covered in detail by Arun in the earlier slides. Other operating income comprises export benefit and other miscellaneous interest income. The decrease in other operating income from the Rs.588 million in the corresponding quarter to Rs.544 million is primarily on account of amendment of exports benefit incentive scheme. The total consumption including cost of material, purchase on sales of stock and change in inventory position as pertaining to the period has decreased from 38% in the corresponding quarter in 2011 to 32% in 2012. This is of course aided by the higher FTF contribution in Quarter 2 this year against the previous year and higher production efficiency that has been put into place in the current year.

Employee costs were Rs.4,816 million which has increased from earlier quarter on account of regular annual salary increment and an increase on the head count in the operating areas during this year.

Depreciation, amortization, and impairment amount were Rs.785 million. High depreciation is on account of the new capital spend getting capitalized in the current period. Other operating expenses were Rs.12,080 million in Quarter 2, 2012. These are higher in the corresponding period, operating expenses due to exceptional claims and contractual payments made in Quarter 2, 2012. On a like-to-like basis without exceptional claims and contractual payments and adjusting for FTF sales, operating expenses were lower by about 1 percentage point compared to the corresponding quarter of previous year.

Other income is high, Rs.697 million, mainly on account of interest income on deposits. We are carrying about $820 million equivalent of cash and deposits which include funds earmarked to meet the DoJ liability. Of this, US dollars and other non-INR deposits was 40% of the total deposits by and large.

The finance cost numbers are necessarily not very comparable as they have been restated to comply with certain revised Schedule VI requirements. Had the earlier format in classification continued where Forex gains on loan was shown as a part of other income and Forex loss was shown as a part of expenses, this was the procedure applied earlier, the finance cost would have been Rs.484 million in Quarter 2, 2012 versus the figure of Rs.1,649 million as reported. This is the Rs.484 million compared with Rs.166 million in the corresponding quarter the previous year. The remaining amount of Rs.1,155 million which is there in this item represents Forex charge on loan arising from mark-to-market. On comparable basis, the increase in finance cost by Rs.318 million is due to high borrowing. The Indian Rupee weakened from Rs.51.2 per dollar to Rs.55.7 per dollar in this quarter. In 2011, the INR was much stronger at Rs.44.8, as we all know. The total adverse impact of foreign exchange in Quarter 2, 2012 is shown Rs.2,504 million, and this has been disclosed as a separate line item above the EBITDA line in line with the revised Schedule VI requirements. This figure Forex on the evaluation of debtors and credit sales of Rs.1,504 million. And the balance Rs.1,000 million relates to Forex loss on account of loans and netted of for the gain on the profit. This has been disclosed as per Schedule VI. The amount of foreign exchange loss which is considered as adjustment to interest expense is based on the stated] interest rates and the rate which we would have entered had the borrowings remained in the local currency. So that is the difference which has gone into the financial cost above the EBITDA line.

Forex and derivatives impact has an adverse impact of about $111 million or Rs.5,994 million which relates to the foreign currency option derivatives, as Arun has said earlier that the total derivatives position has come down now to $1.39 billion at June end. But the adverse impact of the Rupee movement has hit this particular line item in the P&L.

To evaluate the business performance on a like-to-like business, excluding exceptional adverse Forex impact, we will consider the EBITDA excluding Forex. Now, EBITDA excluding Forex impact in Quarter 2 was Rs.5,113 million which was 16% of sales.

For consolidated financials, Q2 12 shows a tax expense of Rs.682 million. Ranbaxy does not file consolidated tax returns, each entity is evaluated independently. Hence the tax expense on account of tax position made for the profit making entity mainly Ranbaxy subsidiary in the US and also the one in Romania, and the profit in these companies have led to a tax revision which is appearing in the consolidated accounts.

For ease of reference, the summarized financials are also provided in the slides in both dollar terms and INR terms.

With this, I hand it over back to Umang for the Q&A session.

Umang Khurana: Thank you, sir. We will look forward to taking your questions now. Anchal if you could take over from here.

Moderator: Thank you so much, sir. Participants, we will now start the interactive session. Any questions from any participant, you are requested to press "0" "1" on your telephone keypads, and we will announce your names. In interest of time, we request the participants to please limit their questions to two at a time to give other participants a fair opportunity as well. Should time permit, we will be happy to address your follow-on questions.

Alright. I am getting first question from Mr. Alok Dalal from BNP. Please go ahead, sir.

Alok Dalal: Yes, hi. Good afternoon, everyone. Two questions; sir, when do we have clarity on the $500 million provision that we have made for DoJ, when do we think we will have to make this payment?

Arun Sawhney: This is a matter still under discussion. We cannot indicate with certainty what would be the amount that we would paying and by when, but we remain confident that the provision that we have made in 2011 would still be sufficient to settle the matter.

Alok Dalal: Okay. So you are still in discussion with the DoJ for the final amount?

Arun Sawhney: Yes, that is right.

Alok Dalal: And the second question is, could you throw some light on the First to Files for 2012that is Actos and Modafinil, any clarity on launches for these two FTF?

Arun Sawhney: No, at the moment, we cannot give any numbers, but I think it has been acknowledged that on Actos we are authorized generic, so we would be launching as authorized generics on the date of patent expiry. I mean, that is about what we can share today. We do not have any numbers to share with you at this moment.

Alok Dalal: Sure. Just last one, any clarity on Diovan? Any timeline for the launches here? Are you on schedule for the launch?

Arun Sawhney: We will wait till end September like we waited in the past for Valacyclovir, Donepezil and Atorvastatin. So we will wait till the date comes. And we are hopeful that we should be launching. So we will wait. We will give you closer to time a better picture.

Alok Dalal: Okay, great. Thank you for taking my question.

Moderator: Thank you so much, sir. The next question is from Mr. Aditya Khemka from Nomura. Please go ahead, sir.

Aditya Khemka: Query questions, sir. Firstly, could you just give us the breakup for Asia Pac, LatAm and API and Africa once again, please?

Umang Khurana: Aditya, these numbers are in the presentation, if you do not mind, I will give it to you offline?

Aditya Khemka: Okay. Sure. The other part of the question is that the Rs.250-crore Forex loss booked above EBITDA, so I understand Rs.150 crores was because restatement of debtors and creditors, the net number. And other Rs. 100 crores was on some loans that you spoke about. So could you clarify a bit more on that on the 100 crores?

Indrajit Banerjee: Yes. I will do that. What is happening is that we are carrying foreign currency loans. And the foreign currency loans have to be restated on the basis of the current exchange rates. Now, under the Schedule VI, the requirements now, what happens is a part of that it is differential actually going into the financing cost account line, because another requirement is we take foreign currency loans and there is depreciation in the currency, then the extent to which that portion of the mark-to-market and the assigned tools of differential interest rates between the dollar and the Rupee, that was going into the finance cost line, which I mentioned that – that's the Rs.1,165million which are going to that line. And the balance amount of the remaining of the market to market of the foreign currency loans goes into the foreign exchange gain/ loss line. And that is the Rs.1,000 million that we talked about. So that is the element of that mark to market, it goes in two separate lines.

Aditya Khemka: You are right. Could you just explain once again? I am sorry, I could not understand. The differential on what part of the loan is taken above the line? That is defined by the purpose of the loan?

Indrajit Banerjee: What I said was that to the extent that there is an interest differential that means we are borrowing at 2% in foreign currency and the corresponding equivalent Rupee similar borrowing is let's say at 10%. So the differential between the two that is 8%, that would get charged into the financing cost line, and the balance mark-to-market goes into the foreign exchange.

Aditya Khemka: Okay. Got that. Sir, just one last question for me, if I can squeeze in one more. The sales number that you have given for Sri Lanka plus India in INR is Rs.5,540, could we get the India alone number for this?

Arun Sawhney: Umang can possibly provide that for you offline. Sri Lanka in any case will be very small. This is a format in which we have been presenting. Umang, can you take it offline?

Umang Khurana: I will take it with Aditya, sir.

Aditya Khemka: Okay, thanks a lot.

Moderator: Thank you so much, sir. The next person in line we have is Mr. Ravi Agarwal from Standard Chartered. Please go ahead.

Ravi Agarwal: Yes, hi. Thanks for taking my call. First question again on Diovan, there is some of your peers in India who have been talking about multiple launches on this product on day one of patent expiry. I just wanted your thoughts on that. I mean, do you agree with that kind of a view or is it something else?

Arun Sawhney: Now, we remain confident that we will be holding the exclusivity ourselves and we remain confident of keeping the 180 day exclusivity ourselves. Like I said earlier, we remain confident, but let us wait for the time to come.

Ravi Agarwal: Second question is on the base EBITDA margins. I mean some sense, I know Mr. Banerjee was referring to the other operating expenses being lower by 100 basis points excluding FTF and exclusivities. But just a margin perspective, how are we stacking up if you remove all the contractual numbers as well as the FTF, are we sequentially seeing an uptrend as far as EBITDA margins are concerned on the base business?

Arun Sawhney: Your voice was a little mingled but I sense you were asking whether there is a margin improvement sequentially on the base growth business. If that is the question, the answer is, yes, there is an improvement in margins of our baseline business, and that comes from multiple regions which I have clarified in my presentation. One thing I forgot to tell on the presentation was there is also a portfolio that we are addressing. We are taking away from our portfolio products on which either we do not make decent margins or could be potential loss leaders. So, there is improvement in the portfolio mix, there is an improvement in cost controls, and of course there is an improvement in business expansion in local currencies in our key markets. All these things put together have improved sales as well as profitability of the business in our base business.

Ravi Agarwal: Thanks for this. Just my final question if I may, you have mentioned your base business in the US of around $80 to $85 million dollars trending now. I mean obviously this has just one month of post loss of exclusivity. So I was wondering what kind of a scale up one should expect on this going forward on a quarterly now? Just a sense of that.

Arun Sawhney: I had mentioned earlier that we were somewhere around 65, plus/ minus and we went up 70 plus/ minus, we were 75 plus/ minus. Today I am telling we should be at 80 plus/ minus, or 80-85 plus/ minus. And going ahead I think we should be looking at an average quarterly run rate of our base business starting 2013 of around $100 million minimum. That is what we would be targeting.

Ravi Agarwal: Sure. Thank you and all the best.

Moderator: Thank you so much, sir. Mr. Manoj Garg from Edelweiss is the next person to ask question. Please go ahead, sir.

Manoj Garg: Would just like to understand about the overall opportunity in the tie-up which you have done with Gilead in the US, about the HIV drug. So how do you see overall opportunity for Ranbaxy going forward?

Arun Sawhney: Sorry, what opportunity? I could not understand. Can you repeat the question?

Manoj Garg: Yes. We have recently done a tie-up with Gilead Incorporate in the US for the HIV drugs to be supply in the emerging market. So just want to understand how big that opportunity could be and if you can throw some light on that.

Arun Sawhney : We are not giving any indication of the numbers that we are expecting from this opportunity, but it will form an important portfolio for our ARV. So ARV continues to remain a focus of Ranbaxy business, and in that it brings good product to enhance our portfolio of offerings. We are not giving any indication of what are the expected earnings from those products.

Manoj Garg: Okay. The second question is basically like now the Minocycline generic versions are available in the US market, our this novel patented formulation for which we have got the approval, how is this differentiated from the generic version available and what could be the sizable opportunity?

RANBAXY
LABORATORIES LIMITED

Arun Sawhney : Yes, we are at the moment developing our sales promotion and launch plans, and once these plans complete we will highlight the differentiation of our products during the launch of our products. So at the moment it is all under plan – both these products, CIP- Isotret as well as the Minocycline that we have approval of, both would be differentiated products in our portfolio. And we will soon come out with the presentation on the differentiation of these products in our promotion and launch plans.

Manoj Garg: And if I can ask the last question, what is the size of the field force in the US for the derma franchise?

Arun Sawhney : I would not know the number off hand, but I think we have got adequate arrangements made to make sure that both the products will be promoted well for the dermatologists.

Manoj Garg: When do we expect to launch this product, sir, in the US market?

Arun Sawhney: Somewhere I would say toward the end of the year between next year. I think roughly that is how you should see the products coming on to the market, after we had completed our launch plans.

Manoj Garg: Okay. That is all from my side. And wish you all the best.

Moderator: Thank you so much. Now, Mr. Anubhav Agarwal from Credit Suisse wants to ask another question. Please go ahead, sir.

Anubhav Agarwal: Thank you. Mr. Sawhney, just a couple of questions from me. One is on the Consent Decree, if everything goes well as per the plan, I am just taking the best case here, when do you think Dewas plant will be ready for inspection by the US FDA?

Arun Sawhney: We have as we talk – last time I had mentioned that we be appointing the consultants, we had actually appointed the consultants. The consultants are as we talk beginning to make assessments of what is the scale of work that would be facing us. And once we are completing, once they had completed their assessment they will share with us. At the

RANBAXY LABORATORIES LIMITED

moment, I cannot – Till I have spoken to them or till they have given us their assessment, I think it will be very speculative to try and give a date by when we will have approvals till we have had Dewas inspected. So I would guess that assessment be done, which would be over hopefully by the end of September. And once we have an assessment, then we would be in a better position to talk about – When we see it is likely that Dewas would be inspected and declared to start our business again. So at the moment, I think any dates I give you would be speculative. So I would rather wait till the assessment is over with our consultants.

Anubhav Agarwal: That is fair. Thank you. Mr. Banerjee, I have a question for you. In the derivatives portion which you mentioned, $1.39 billion, how much is the currency options over there?

Indrajit Banerjee: How much is the, I am sorry, what option?

Anubhav Agarwal: In the derivatives portion, in the presentation, you mentioned an amount of $1.39 billion is the outstanding portion, how much is the – I remember you used to have outstanding options of around $600 million, is that amount at around the same level?

Indrajit Banerjee: I am not sure what your question is… I am not able to…

Anubhav Agarwal: Ranbaxy was having currency options of approximately of amount of around $600 million, out of which almost $50 million option was being retired every quarter? I was just interested in the outstanding position of that currency derivatives.

Indrajit Banerjee: Okay. I think I understand what you are saying. First, the $600 million which was earlier said, that was based upon a – it is really complex – the company has bought a put option which was I think that $600 reference to that. But in exchange, the company had sold a call option. And it is that chain of call option which is subject to this translation as of now because that is one which is costing the company in terms of liability or rather we need to take an MTM liability on that. That is $1.3billion as I mentioned. So $600 million is a put option which has no value and there is accounting in that coming as a result of that, because that is completely out of the money as of now.

Anubhav Agarwal: Okay. And just to put it differently, I understand there is – if the currency were to remain at the same level what it is today, like 55, if it were not to change, how much of this MTM will convert into cash losses for the company?

Indrajit Banerjee: Generally we have about $40 million of derivatives which mature every month. So therefore, to the extent that the Rupee remains at the current level on – and we have to pay the difference on that $40 million every month as we go along. If the Rupee were to appreciate in future, to that extent we write back in P&L and whatever falls due for maturity every month, we lose money on that. But as long as the Rupee remains at the current level, every month on the $40 million that matures, that becomes a cash loss.

Anubhav Agarwal: Okay. Thank you.

Umang Khurana: Anchal, could we take the next question?

Moderator: Yes, Mr. Sharma from Karvy Stock Broking is the next question. Please go ahead and ask your question, sir.

Sharma: Just wanted to get clarity on two things. One was the line item which is there, claims and contractual payments, could you give us the amount which was there for the quarter and for the six months?

Indrajit Banerjee: Can I answer? We mentioned in the press release itself that because of certain contractual obligations with the counter party, we are sort of constrained to give that number. And it is for that reason that we have not been able to put it up.

Sharma: And, sir, another thing was on the Rs.2,500 million which is there in the line item, the expenses, you said Rs.1,500 was on account of restatement, it is not actual realized loss on debtors and creditors, right?

Indrajit Banerjee: No, it is not an actual realization. It is a currency translation actually.

Sharma: And, sir, that Rs.1,000 million, is it on account of – is this differential or is it on account of MTM on loans?

Indrajit Banerjee: It is the balance of the mark-to-market margin on the loss. It went in the two separate line items. It is part of it to the finance part, and part of it to the foreign exchange gain/ loss account. So we split it into two parts.

Sharma: Which part has been taken through…

Indrajit Banerjee: Both of these are mark-to-market. Because the loans are continuing. The loans have not been repaid.

Sharma: Okay. Any reason to differentiate both, sir?

Indrajit Banerjee: Pardon me?

Sharma: Is there any reason to differentiate both one is in the finance cost and the other is…

Indrajit Banerjee: You can read the Schedule VI interpretation.

Sharma: Okay. I will take it offline, sir. No problem. Thank you.

Moderator: Thank you so much, sir. Now we have Mr. Bino from IIFL to ask questions. Please go ahead, sir.

Bino: Hi, thanks for taking my question. Just want to reconcile a number; did you say that emerging markets form 60% of top line excluding the FTF opportunities?

Arun Sawhney: Yes.

Bino: Okay. And the emerging market number was Rs.231 million, right?

Arun Sawhney: Yes, we can go back to the presentation.

Bino: Yes, in the presentation.

Arun Sawhney: You can consider that to be a fair approximation – will not be exactly 60%, close approximation is 60%.

Bino: Right. No problem. So if I divide that number by 60%, then I can arrive at the total known FTF sales at Rs.385 million, and you have reported a total top line of Rs.588 million. So the FTF sales in the quarter I can derive as Rs.203 million. Is that approximately right?

Arun Sawhney: I leave all the inferences and derivatives of these numbers to you, but, yes, this is a fair approximation of the way our business is distributed. And I think you can derive inferences from there.

Bino: Sure. Were there any one-offs in the quarter other than Atorvastatin and Caduet? No, right?

Arun Sawhney: No.

Bino: Okay. Can I have the consumer business revenue in India?

Arun Sawhney: Sorry?

Bino: The consumer business? The consumer health care business?

Arun Sawhney: Yes?

Bino: Can I have the revenue of that separately?

Arun Sawhney: Yes, that I think someone mentioned about Sri Lanka, India, et cetera, I think that – I do not have the break up now. Umang can – I gave you the figure of the consumer health care business when I talking about India region. Just a moment.

Umang Khurana: Sir, if I may, Rs.982 million for the quarter and Rs.1,715 million for half the year. Mr. Sawhney mentioned that during his speech.

Bino: Okay. And finally, just contractual expense, it is there in this quarter and was not present in the prior year, 2 Q, is that right? I did not hear it exactly.

Indrajit Banerjee: It was not there in the corresponding quarter the previous year, no. It was there in there in this quarter and there in the previous quarter and it was also there in the quarter before that.

Bino: Okay, for the last three quarters?

Indrajit Banerjee: Yes.

Moderator: Thank you so much, Mr. Bino. Now we have Mr. Nitin Agarwal from IDFC to take another question. Please go ahead, sir.

Nitin Agarwal: Hi, thanks for taking my question. Sir, on the US business, I just wanted to check, have we stepped up the filing of ANDA in the US this year? And is there a certain number that we are running with than we used to earlier?

Arun Sawhney: Yes, the ANDA submissions have been stepped up. I do not have a number on that submitted off hand now. But, yes, going ahead, now we would be filing more products on Mohali, we have Ohm– yes, we would be expecting the ANDA submissions to the US.

Nitin Agarwal: Okay. And secondly on this Mohali facility, apart from the switch that you have got for Atorvastatin, have you got approvals for any other products for Mohali or are you looking to switch any more products from Mohali?

Arun Sawhney: Yes, there are approvals that are coming through. And as and when we are launching the products, as we will clarify which product has been launched from which facility, et cetera, but you are right, there are more approvals coming through, and will comes through from Mohali facility, because quite a bit for the regulatory submissions in the recent past have gone from Mohali.

Nitin Agarwal: Okay. And is it fair to assume that that since we had a constraint in capacity over the last few years, given the limited facilities that were available, I mean, most of our recent submissions over the last few years would have been relatively on limited competition products/ niche opportunities. So although we will be probably be getting relatively fewer approvals going forward, compared to some of our peers, but there would be relatively more stand outs – more niche approvals as we go along?

Arun Sawhney: Your voice was once again breaking in between. Can you repeat a little slowly?

Nitin Agarwal: What I meant is, given the fact that we had a constraint on capacity as far as filing of ANDA over the last few years, since the time we got into issues with the FDA, so is it safe to assume that a lot of our recent ANDA filings and some of the approvals that will come through would be relatively more sort of niche approvals than they were in the past? We would have done fewer filings of me too products over the last couple of years?

Arun Sawhney: Yes, it will be a mixed bag, because there would be normal generics, there would be first to file opportunities and there would be niche products, all three would be there in the submissions from Ohm and Mohali.

Nitin Agarwal: And lastly on Tricor, Fenofibrate, we share a settlement with Abbott, so do you have any update for us as far as how the progress is – I mean, are we in line to sort of launch a product some time going forward?

Arun Sawhney: We would be launching the product, yes, but I do not have an update to share with you right now.

Nitin Agarwal: You said you would be launching?

Arun Sawhney: Yes.

Moderator: Alright. Thank you so much, Mr. Agarwal. Now, we have Mr. Balaji Prasad from Barclays to ask another question. Please go ahead, sir.

Balaji Prasad: Hi, thank you. Good afternoon, gentlemen. Most of my questions have been answered. But if I may, a rather philosophical one. Now, this Lipitor exclusivity is done with and the FDA issues are hopefully behind you, what are the top two/ three items which are like occupying most of the management's time which will make a difference to the business on a one/two-year basis?

Arun Sawhney: Sorry, what was that? Top two/three items capturing a time relating to what? I missed that part.

Balaji Prasad: Relating to the business. As I said, now the Lipitor exclusivity is done with, the FDA issues are, as I said, hopefully largely behind you, what are you focused on now?

Arun Sawhney: Yes, business as usual and we are focused to see how we build our growth in business in the key markets. We have already identified our key markets around the world. And there is a strategic plan to grow the business. So that would be one, a definite business priority. So second would be to continue filing our differentiated products in not only US now but to the other parts of the world. And third, of course, would be ensuring that the implementation of Consent Decree goes through flawlessly. I mean, it would be top of the mind management decisions. And keeping the business performing and healthy, keeping the right focus to ensure its growth, and getting the consent decree implemented without any flaw.

Balaji Prasad: Thanks, Arun. I mean, if you could drill further into those key focused items, which are the geographies that you are focused on now the most? And again, the filings that we can expect to see, which areas of these would be concentrated in?

Arun Sawhney: I had clarified this, but I will run it very fast off-the-cuff here with you. In North America it would be obviously US and Canada, in Latin America it would be Mexico, Brazil, Venezuela, and Columbia. In Europe, West Europe will be one cluster of generic business vanilla generic business. In East Europe we would focusing around branded business, Poland and Romania, and look at exploring other opportunities in that region. Ukraine, Russia will remain our key markets with increased focus on Kazajistan, and later on we would like to extent – These would be the key markets. Later on we will see how we leverage these markets greater into the CIS. In Asia, India of course will be a very strong focus on the home market. In the Asia Pacific region, it will be Malaysia, Australia, Myanmar, these would be the key market. And in the far end, Japan. These are – and of course South Africa, Egypt, Morocco on the African Continent. These would constitute our key markets. I may have missed a couple, when I was talking to you off-the-cuff. But these would be our key markets that we have already identified. We would be looking to grow our business in these key markets where we have already made some investment – Nigeria included in Africa.

So these would – we would look to grow our business substantially in these key markets; to improve portfolios, differentiate products, and so on.

Moderator: Thank you so much, sir. Now we have Mr. Hitesh Mahida from Fortune Equity Brokers. Please go ahead, sir.

Hitesh Mahida: Yes, thanks for taking my questions. Basically I have two queries. First is we are not showing good enough growth in Africa in spite of facility commencement last year. And also winning a tender business. Understood that there has been some Forex impact, but still, the growth which was expected is not coming. And secondly, what would be our guidance for the domestic business, should we take the current growth numbers? Thank you.

Arun Sawhney: Yes, I think both in Africa as well as in India business we should see the second half of 2012 performing much better than the first half of 2012. In India, last year we were lagging in single digits growth numbers. We have already climbed to double digits. The growth in the first half of 2012 was 13%, and we should see improvements in the second half of 2012. So I think India would have caught up – and I think some of the things that we were doing well in India would begin to yield results. Same would be the story in Africa. You are right. We had last year problems in our facilities. There were supply disruptions That is all taken care of. And second half of 2012 would be substantially better than the first half of 2012 in Africa.

Hitesh Mahida: Okay, sir, and all the best.

Arun Sawhney: Thank you.

Moderator: Thank you so much. The next question is from Mr. Ranjeet Kapadia from Centrum Broking. Please go ahead, sir.

Ranjeet Kapadia: This question relates to Project Viraat which we had started. If you can give some update, recent update, on how many MR's are there currently. Second thing, as per the latest IMS data, seven out of ten of our products are showing less than the market growth. So how are we going to gain our market growth for these products?

Arun Sawhney: Sorry, I had not got all your questions. Can you ask the first question first slowly and then I will answer the second question.

Ranjeet Kapadia: Under project Viraat, can you elaborate how many MR's are there and what are the plans to induct more Medical Representatives?

Arun Sawhney: Okay. I think Viraat, we gained from Viraat. We had now I think an excess of one-and-a-half thousand reps in the markets. We now have to shift focus beyond Viraat. Viraat has visibility. It provided us penetration. I think we now have to go beyond Viraat. So Viraat has outlived its life now. There are several other initiatives we have taken. The next initiative in India would be improvement in our portfolio and productivity. And that will not come from adding more numbers of people, but that will come from being more effective with the number of people we have already recruited. So there will be no more Viraat in the sense that we not go into large scale recruitment of more people. That is definitely not going to happen. What was the second question?

Ranjeet Kapadia: Sir, second question relates to IMS data, latest IMS data states that the company has grown at 10% whereas the industry has grown around 14%. And 7 out of 10 products of the company have grown less than the industry growth, even less than the own growth of 10%, single digit growth. So how we are going to improve this situation over a period of time.

Arun Sawhney: You know we have been consciously shifting our focus or increasing our focus to chronic segment. In almost all segments, all molecules that we are present in the chronic area, our growth of business has been, for most of our products, higher than the growth of the segment. Unfortunately we still continue to have dominant presence in anti-infective and Acute. And the anti-infective and Acute are not the segments that are growing as rapidly as the chronic segments, especially CVD, CNS and so on.

Most of the brands that we have seen, the growth of other brands that we have seen in the chronic segment had actually beaten the market growth. So we are quite happy with the shift that we have seen in our chronic segments. Also I think some of the measures that we had taken had helped us now to get into the double digit growth, and like I told you, we are expecting that these measures will show improved growth in the second half of 2012. So, there is in the first half of 2012, we have grown by 13%, we are targeting to grow by a higher rate in the second half of 2012. And we should then catch up with the market or even exceed it by the end of the year.

Ranjeet Kapadia: Okay. Thank you very much, and all the best.

Moderator: Thank you so much, sir. At this time, there are no further questions in the queue. So I would request Mr. Umang Khurana to take over the floor for final remarks. Over to you, sir.

Umang Khurana: Thank you everybody for joining in. We are happy to take your follow on questions. Do give me a call. We will take it from here. Thank you, bye.

Moderator: Thank you so much, sir. Thank you so much, participants. With this, we conclude the conference call for today on behalf of Ranbaxy. Please disconnect your lines now. Thank you and have a great day.