"Third Quarter 2012 and YTD 30 September 2012 Post Results Conference Call of Ranbaxy Laboratories Limited"

08 November 2012

SPEAKERS: **Mr. Arun Sawhney, CEO and Managing Director, Ranbaxy**
Mr. Indrajit Banerjee, President and CFO, Ranbaxy

Moderator: Very good evening, ladies and gentlemen, I am Souradip Sarkar, the moderator of this call. Thank you for standing by and welcome to the Third Quarter Calendar Year 2012 and YTD September 30th 2012 Post Results Conference Call of Ranbaxy Laboratories Limited. For the duration of presentation, all participants' line will be in a listening-only mode. And there will be a presentation followed by a question-and-answer session. I would like to now handover the conference Umang Khurana. He is the Head Investor Relations from Ranbaxy. Over to you, sir.

Umang Khurana: Thank you, Sauradip. Hello, everyone, and welcome to the Ranbaxy results conference call for the quarter 2012, that is, July to September 2012 and YTD September 30th 2012. Earlier in the day the company issued a press release detailing the financial results for the quarter and the YTD. The press release and the presentation that the management will now discuss with you will also be uploaded on the company's website for your easy reference. On the call with us today we have Mr. Sawhney, CEO and Managing Director of Ranbaxy. He will discuss the highlights of the company performance during the quarter. 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 presentations we will be happy to address questions that you may have. We have budgeted an hour for the call. Over to you, Mr. Sawhney.

Arun Sawhney: Thanks, Umang. Good day everyone on the call, and thank you for joining us on this call to discuss third quarter 2012 financial results of Ranbaxy. Sales in the third quarter of 2012 were $480 million, a robust growth of 31% in Rupee terms and 18% in dollar terms over the corresponding quarter in 2011. The stronger performance for the quarter was led by improvement in overall base business sales which was further aided by effective monetisation of first-to-file opportunities. EBITDA margins for the quarter were at 16%, up from 6% of sale in third quarter 2011. Stronger sales and continued focus on cost optimisations led to the improvement in margins during the quarter.

Ranbaxy launched Actos generic, Pioglitazone Hydrochloride, as an authorised generic in the US, and has

RANBAXY
LABORATORIES LIMITED

been successful in maintaining over 25% market share. Emerging market sales contribute over half of the sales excluding exclusivities. Emerging market sales have been adversely impacted by the strengthening of the dollar against most currencies. I will talk about the movement of dollar against the major currencies in a while. Sales in India grew 13% in the quarter when compared to the corresponding quarter of the previous year. USA-based business sales, excluding first-to-files, continued to be strong. Ranbaxy has maintained strong market share and leadership in Atorvastatin even after the entry of multiple generic players post exclusivity. The company maintains over 50% market share in Atorvastatin plus Amlodipine. The focused approach on West Europe helped the region improve sales for the quarter over the corresponding quarter of the previous year. The uncertain economic world order has led to across-the-board depreciation of currencies against the presumably strong US dollar. This is even more visible in the emerging market currencies. Thus, strong-on-the-ground performance of business may seem muted in dollar terms, not reflecting the real business growth. To reflect like-to-like performance while we will discuss sales in US dollars, the sales growth numbers will represent growth on constant ForEx bases.

Let us now discuss functional performance. The strategy for the developed markets is to expand base business and also address niche opportunities that have high barriers to entry and limited competition that makes the business model more attractive. In the emerging market, the strategy is to expand base business in order to effectively address the growth markets. In continuation of this focus, Ranbaxy received approvals from the government of Malaysia to set up a Greenfield facility in the country. On completion of this facility, Ranbaxy will triple the existing manufacturing capacity in Malaysia. Further strengthening our emerging market manufacturing presence, the Morocco facility that we have discussed earlier is now operational. Further investments that we have committed in expanding our manufacturing base in emerging markets include an investment in Nigeria and the new facility investment in Egypt. With respect to the hybrid business model, Ranbaxy and Daiichi Sankyo continue to work together and explore

RANBAXY
LABORATORIES LIMITED

business opportunities. Apart from the multiple frontend partnerships that we have fostered in multiple markets, emerging and developed markets, we have also been strengthening synergies on the backend. During the quarter, Ranbaxy and DS initiated collaboration in the areas of supply chain and information technology in Europe. With regards to other significant developments during the quarter, on the consent decree that we signed with the US authorities at the end of end of the previous year, the progress is satisfactory and as per plan. 14 Ranbaxy facilities across the world were inspected by international regulatory agencies in the quarter.

With respect to some of the key financial numbers, with respect to derivative position, the total leveraged position at the end of the quarter was $1.27 billion down from $1.39 billion from the preceding quarter. As Indrajit takes you through the detailed financials, you will notice the dual impact of the volatility in currency -- currency has on Ranbaxy results.

Let us now consider the results for the quarter by geography. Sales for the quarter were $480 million, while YTD September 2012 sales were $1.8 billion. Overall sales grew in key large businesses and regions on local currency terms. In Indian Rupee terms, sales were higher by 31% over the preceding quarter.

Moving on to regional sales details, North America sales were up 62% with the improvement in base business contribution and sale of exclusivity products in the USA. USA sales for the quarter were $152 million while the YTD September sales were $808 million. We successfully monetised Actos. In what was an unprecedented situation Pioglitazone Hydrochloride AG, or generic Actos, was launched with two AGs and one FTF. At the end of September 2012, we had captured 28% market share. With respect to base business, sales grew to more than $100 million as the key post-exclusivity product including Atorva and Atorva plus Amlodipine now form a part of the base business. Post successfully leading the market during exclusivity, Ranbaxy retains a dominant position in both the products in their genericised avatars. Sales for India

RANBAXY
LABORATORIES LIMITED

including Sri Lanka were Rs. 5,829 million in the quarter which is a 13% growth as compared to Rs. 5,217 million from the corresponding quarter in 2011. For YTD September 2012 sales in India were Rs. 16,268 million against Rs. 14,559 million which too was a growth of 13% in Rupee terms. Consumer healthcare sales were Rs. 149 million and Rs. 2,714 million for the quarter and YTD September 2012 respectively. While the Indian pharmaceutical market seems to be slowing down close to 10-12% levels, we are happy to report improvement in performance. Sales grew in double digits for Ranbaxy. Such growth has been possible in spite of disproportionate slowing down in some of the represented segments of Ranbaxy's business, primarily in the acute segment. Overall other growth in represented segments was faster than the market growth in India.

Ranbaxy continues to maintain leadership positions in its represented markets in Romania and Russia amidst the ongoing regulatory changes and large ForEx volatility as mentioned earlier. For the quarter, sales in the quarter in the region were $58 million, an improvement of 4% over the corresponding quarter on a constant ForEx basis, while YTD September 2012 sales were $168 million. Of this, Romania sales for the quarter and YTD September 2012 were $22 million and $67 million respectively. Romania sales were impacted by the claw-back tax. Romania continues to be a strong and growing market for us. Sales on local currency excluding the aberration caused by the claw-back, growth in country was in its high teens. Russia sales for the same period were $23 million and $56 million respectively.

Even as macro-economic indicators continue to be a challenge for the business environment, performance improved in the region. Sales in West Europe were $44 million for the quarter and $137 million for YTD September 2012. On the YTD basis, the Atorvasatin performance aided West European markets. The company has stronger sales in the UK as some of the concerns there were sorted out. Also sales were stronger in Germany and Italy. In the APAC region sales of $24 million for Quarter Three 2012 were impacted adversely by US dollar

appreciation against most of the local currencies. Sales for YTD September 2012 were $82 million. The company received approval to set up a Greenfield manufacturing facility by the government of Malaysia. On completion, this facility will triple the existing manufacturing capacity in the focused markets for Ranbaxy.

Coming to Africa, sales for the Africa region for the quarter were $37 million, and for YTD September 2012, sales were $128 million. Currency had an adverse impact on the regional sales performance. South African ZAR depreciated by around 15% over the corresponding period in the previous year. The Africa region in an important market for the company and we remain committed to our business there. For our focus markets, including Africa, we will continue to strengthen our business with necessary infrastructure and investments as may be required.

Coming to LatAm, sales for that LatAm region were lower at $12 million for the quarter and $30 million for YTD September 2012 due to the continued transient supply disruptions in the region. We are working toward correcting this internal challenge to improve our performance in the region.

Coming to API business; sales for the API and others were $32 million for the quarter and $95 million for YTD September 2012. We are working towards consolidating our presence in market and customer base for API sales as we focus on profitability. With this, we will grow a sustainable profitable business in our API business. Indrajit now will take you through the financial performance for the quarter. Over to you, Indrajit.

Indrajit Banerjee: Thank you, Arun. Good day to everyone on the call. I will give you a quick snapshot of the financials which you must have seen by now. Sales in Quarter Three grew by 31% as Arun has said earlier, in Rupee terms, over the corresponding quarter to Rs. 26,514 million helped by a stronger base business sales due to overall better performance in certain markets and further aided by robust performance of post-exclusivity products and the authorised generic that was mentioned earlier. The

RANBAXY
LABORATORIES LIMITED

geography-wise sales have already been covered in details by Arun in the earlier slides.

Other operating income was at Rs. 397 million in the quarter mainly on account of the receipt of income related to R&D and export incentives. Improved production efficiency measures have also helped retaining the cost of materials at about 39% of sales despite rising ForEx cost and despite the fact that there were very little FTF in the present quarter. Cost of materials consumed is about a percentage point lower relative to quarter three of 2011. Employee costs were at similar levels, Rs. 4,677 million as in the preceding quarters of the year. When compared to the previous year, these are higher as we reflect the additional man power especially in the quality control function and strengthening of regional sales teams and in normal salary revision. Depreciation, amortisation and impairment shows a nominal increase Rs. 788 million to Rs. 816 million. This increase is on account the capital expenditure spends that has been capitalised in the current period.

Focused approach on cost control measures especially SG&A helped in the decrease in other expenses as the percentage of sales to 31% in Quarter Three versus 34% in the corresponding quarter of the previous year. Rs. 8,342 in Quarter Three 2012 versus Rs. 6,974 million in Quarter Three of the previous year. This is after considering costs of FDA remediation. The expenses when compared with the previous quarter are lower owing to certain significant contractual obligations being accounted for in the previous quarter. As Arun mentioned earlier, the cash and bank deposits were at $778 million equivalent. Other income was higher at $661 million mainly on account of interest income on deposits, nearly 60% of which are held in INR. Finance cost has decreased from Rs. 1,512 million in quarter three of 2011 to a negative figure of Rs. 156 million in this quarter, mainly on account of ForEx gain of Rs. 555 million being accounted for in Quarter Three 2012 captured under this head as we had to restate the accounts owing to the current accounting guidelines. Therefore, this ForEx gain has been netted off from the interest cost which has led to a negative figures being recorded under this

RANBAXY
LABORATORIES LIMITED

head. Had the earlier classification continued, the interest cost amount would have been only Rs. 399 million in Quarter Three 2012 as against Rs. 153 million in Quarter Three of 2011. When compared to the ForEx gain in the current quarter, the corresponding quarter, that is, Quarter Three of 2011, had a ForEx loss of Rs. 1,359 million. With respect to ForEx impact on the financials for the quarter, it may be relevant to bear in mind that while the Rupee was generally stronger in the first two months and strengthened considerably in September 2012, the average USD-INR for Quarter Three 2012 was higher at Rs. 55.20 per dollar as against Rs. 54 per dollar in the preceding quarter. However, of course, as we all know, at the end of the quarter the Rupee strengthened considerably. You would notice that a consolidated number in financials where there is ForEx gain of Rs. 684 million in Quarter Three 2012 against the loss of Rs. 550 million in the corresponding quarter of the previous year, this relates to trade transactions and ForEx adjustments on Foreign currency denominated fixed deposits and loans. There was a gain of Rs. 3,933 million on the derivative exposure item in the quarter on account of the mark-to-market adjustments which have to be carried out in respect of this item. The outstanding derivatives stood at $1.27 billion at the end of September 2012 on account of strengthening of the Rupee in quarter three 2012 where the exchange rate became Rs. 52.86 as at September 30th 2012 versus Rs. 55.68 at June 2012.

The tax for the current quarter represents tax paid by international subsidiaries. As for the standalone financials, the tax liability is nil due to the carried-forward losses in the book. You would observed that the operational profitability shows a significant improvement over the current quarter. It was at 16% in this quarter versus 7% in the corresponding quarter of the previous year. EBT was 31% in this quarter versus negative 21% in the corresponding quarter of the previous year. For ease of reference, the summarised financials in INR have also been tabled. Now I will hand it over back to Umang for the Q&A session.

Umang Khurana: Thank you, sir. Souradip, could we now move on with the Q&As, please?

Moderator: Sure, sir. Thank you so much. With this we are going to start with the Q&A interactive session. So I would request all the attendees and the participants, if you wish to ask any question, please press "0" and "1" on your telephone keypad and wait for your name to be announced. I repeat, participants who wish to ask a question, please press "0" and "1" on your telephone keypad and wait for your name to be announced. And here comes the first question from Mr. Ravi Agarwal from Standard Chartered. Mr. Agarwal, you can go ahead and ask your question. Your line has been unmated.

Ravi Agarwal: Hi, good evening, and thanks for taking my question. Just one question actually on Nexium OTC. We know that Pfizer and AstraZeneca have signed a deal for this particular product. I was wondering what are the implications for Ranbaxy considering that we have a settlement with AstraZeneca to launch this product in 2014 on the general pharma side, and is there any implications for that?

Arun Sawhney: No, we do not feel there is any implication on Ranbaxy business on this.

Ravi Agarwal: But is it possible that Pfizer... I mean the approval for the switch could actually come before your settlement and hence most of the market segment from the pharma side could actually migrate to the OTC? Is that a risk which you see?

Arun Sawhney: I think normal business prudence would not see this as a risk.

Ravi Agarwal: And second on Diovan, if I may, any update as to what exactly is happening there and when do we see our product getting approved?

Arun Sawhney: This is something I cannot predict but we will launch our product upon approval from the FDA.

Ravi Agarwal: But is the Mylan case, does it have any bearing on our approval or any such thing?

Sawhhney: Not in my assessment.

Ravi Agarwal: Okay. Thank you so much.

Moderator: ` Thank you, Mr. Agarwal. The next question is from Mr. Anubhav Aggarwal from Credit Suisse.

Anubhav Aggarwal: Good evening, sir. Just, Mr. Sawhney, one question, last quarter you mentioned that the third party consultant study of scoping the work which needs to be done under consent decree will be over by September. Can you please update on that? What is the outcome of that study?

Arun Sawhney: Well, the study is still going on. The consultants are on site. I think it is taking longer than what even what they have assessed, because Dewas is a huge site. So the work is going on. The consultants are on the site. And I had also said that we will have a better assessment not only by the quarter but we will have better assessment of the situation by the end of the year. I still feel we should be in a good situation, good position, to make a good assessment with the consultants by the end of the year.

Anubhav Aggarwal: Okay. So does that study get over by end of year, which is December?

Arun Sawhney: No, the assessment gets over, and then we will have to see what has to be done next.

Anubhav Aggarwal: And just one question. How big is the Lipitor generic market today? I am asking that after the price erosion, what is the total market size on the generic side today.

Arun Sawhney: Generic side in the US or generic side all over the world?

Anubhav Aggarwal: In the US.

Arun Sawhney: We have not done a good assessment on that. We will get back to you. I think off my mind I do not have the figures in front of me but we can get back to you, Anubhav.

Anubhav Aggarwal: But sir if you have the price erosion that will help as well.

Sawheny: Yes, price erosion is 98.5% and above.

Anubhav Aggarwal: Okay. And just one last question that, X currency, if we look at your base business sequentially, would you say that your margins have improved excluding the currency benefits?

Arun Sawhney: Yes, and that is something that we have said more than a year ago that if you take tranches of every six months, we should see profitability of our base business improve. And I am happy to share with you that, yes, it is improving. And we are quite confident that this improvement will continue.

Anubhav Aggarwal: Okay. Thank you, sir.

Arun Sawhney: Okay.

Moderator: Thank you, Mr. Aggarwal. The next question is from Mr. Bino Pathiparampil from IIFL. Mr. Bino, you can go ahead and ask your question, please. Your line has been unmuted.

Bino Pathiparampil: Hi, thanks for taking my question. You know, EBITDA margin you said is 16%. But if you remove the ForEx gain, it comes to only about 13%. Also considering that you had a good part of Actos coming in the quarter, 13% looks pretty week compared to competitors of course, and also the improvement in your base business margin, even if it is there, it looks pretty marginal. So what are your comments? Is there going to be a significant improvement in margins going forward?

Arun Sawhney: Yes, we have said that there will be an improvements if you looks at tranches of six months. Every six months you should see improvement in margins and the base business of Ranbaxy. Yes.

Bino Pathiparampil: Yes, but that margins will be like 50 or 100 basis point or will it be like 3-4% points? I am asking this because your margin is significantly lower than peers.

Indrajit Banerjee: Yes, but let me just clarify. If you are eliminating the ForEx on the derivative that is certainly non-business sort of, eliminating that would be fair, but if you are looking at the other foreign exchange which is very much business related, which is based on receivables and payables, et cetera, then that is something which is very much... And that is the reason why it is actually given above the line, and rightly so. So if you take that into account and you look at the business EBITDA, then you will see the improvement there.

Bino Pathiparampil: Right. Okay. But anyway, if actually the Rupee remains steady, that is a non-recurring item, right? Also one more question. The Actos authorised generic margin, is it significantly lower than FTF product margin or is it pretty much comparable?

Indrajit Banerjee: We normally do not segregate FTF margins with normal margins. That is not something that we would be in a position to declare.

Bino Pathiparampil: Sure. And are you confident that the six-month exclusivity on Diovan will come through at some point in time?

Arun Sawhney: Sorry, can you repeat the question Bino?

Bino Pathiparampil: Are you sure that the six-month exclusivity on Diovan will come through to Ranbaxy whenever it is?

Arun Sawhney: Yes.

Bino Pathiparampil: Okay. Thank you. I will join back the queue.

Arun Sawhney: Okay. Thanks.

Moderator: Thank you so much, sir. We have the next question from Mr. Girish Bakhru from HSBC. Mr. Bakhru, you can go ahead and ask your question. Your line has been unmuted.

Girish Bakhru: Yes, hi. Thanks. Just following on the margin question. Assuming next quarter of course will have full Actos impact. Is it right to take this RM to sales trend going forward in Q4 as well?

Indrajit Banerjee: That I do not think it will be fair for us to give that comment right now, because as I said earlier we try to avoid giving any comments on margins and FTF, et cetera. But I guess it is fair to say that... And FTF will generally have a much lower raw material cost-to-sales ratio than the normal base business.

Girish Bakhur: So can you give a sense of proportion as to whether the last sales of Actos would come in future or would it have happened in this quarter?

Arun Sawhney: Which quarter you are talking about -- quarter that has gone by?

Girish Bakhur: Yes, is it the 3Q or the 4Q that we will see larger proportion of Actos?

Arun Sawhney: I think let us play it out because the 180 days period is not yet over. So let us see how it plays out. We cannot say at this point in time what would Actos generic be in October-December quarter.

Girish Bakhur: Okay. And just second one on the CIP-Isotretinoin product, what is the status there? I mean what are the development activities that you have been taking, and when is the launch probably you see going forward?

Arun Sawhney: Yes, we had earlier said that we would be launching it in the Fourth Quarter of 2012 or latest by early 2013. We maintain we would in all likelihood launch in Fourth Quarter of 2012 only. We will not let this quarter go by without the launch.

Girish Bakhur: And in this launch will be... I mean I believe the product is also in stages of approval with Canadian authorities, right? So launch will be simultaneously with Canada and US and other markets or is it sole US right now?

Arun Sawhney: We are not linking it. So we are not linking it. Each country will have its independent business plan. So as and when their approvals come, if we are ready for launch, we will go ahead with the launch.

Girish Bakhur: All right. Thank you. I will join the queue.

Arun Sawhney: Okay, Girish.

Moderator: Thank you, Mr. Girish. The next question is from Mr. Prakash Agarwal from CIMB. The line has been un-muted, Mr. Agarwal, you can go ahead and ask your question, please.

Prakash Agarwal: Yes, good evening sir. On the SG&A we have seen a significant improvement, I mean 31% of sales versus 38% in the past. So is it sustainable? And you had said a comment about that, and just wanted to understand for next year onwards also this would sustain?

Arun Sawhney: The efforts on controlling the cost will continue. And the effort will be to maintain and sustain this, and maybe even try to improve.

Prakash Agarwal: So is it safe to assume that it was from the Lipitor litigation or US FDA resolution and both have been sorted now?

Arun Sawhney: Litigation cost will continue when we have other first-to-file challenges. So litigation cost for the company does not end with Lipitor launch.

Prakash Agarwal: So that litigation cost relating to the US FDA things and with... Maybe there is some kind of cost arrangement with Teva for Lipitor?

Arun Sawhney: I do not thing we want to tread in that territory. No, it has no relationship for the future business.

Prakash Agarwal: Okay. So we are fairly confident of 31-31% of sales for the SG&A?

Arun Sawhney: Yes.

Prakash Agarwal: Okay. And secondly on base business you made a comment that 100 million plus, so this is solely US and the other thing that is added is the Lipitor post-180-day exclusivity, right?

Arun Sawhney: Yes, last time I had said that when Lipitor goes generic it will become a part of base business and we should see the base business climb to over a $100 million per quarter.

Prakash Agarwal: Understand that, but would you say that X -- this Lipitor it would still be round $75-80 million or...?

Arun Sawhney: Well, yes, in that range, yes, I would say that, because over the years we kept saying that it is 65 plus/ minus, then we have had 75 plus/ minus, then 80 plus/ minus, and then we said we will reach more than 100. So you could say that without Lipitor our early estimates were between 75 and 80 million dollars. Now it is $100 million.

Prakash Agarwal: Perfect. Lastly on Actos, what kind of price erosion have you seen? I mean we have got significant market shares, but what kind of price erosion are we seeing? And with Watson launching, what kind of further... I mean you already must have seen further price erosions, can you comment on that?

Arun Sawhney: At the moment I do not have the Actos price erosion ready with me Prakash, but we will have that sent to you.

Prakash Agarwal: Okay great. Thank you. And all the best.

Moderator: Thank you, Mr. Agarwal. The next question is from Mr. Alok Dalal from BNP Paribas. Mr. Dalal, you can ahead and ask your question, please.

Alok Dalal: Yes. Good evening everyone. Sir, can you let us know how many ANDAs have you filed this quarter?

Arun Sawhney: We have not disclosed that. I have said in the past also, we do not disclose that on quarter-on-quarter basis.

Alok Dalal: Okay. And how are the formulation supplies to AstraZeneca going for Nexium? Have you seen a ramp up there or it is more or less the same?

Arun Sawhney: I think it is steady with what we were expecting. There is no unusual ramp up, or there is no unusual decline.

Alok Dalal: Last question is again on Diovan. What is holding up the FDA approval? What are the issues that you are facing here?

Arun Sawhney: I would not know that. We are just waiting for FDA to grant us approvals. I would not speculate what is causing the delay within FDA.

Alok Dalal: Okay. But there would be some communications with the FDA that you would be going through. So are there any questions that they have been raising and then it is not moving forward?

Arun Sawhney: The proprietary end, that is a confidential discussion, of course, we will not tell, but let us say, I think it suffice to say that upon approval we will put the product on the market.

Alok Dalal: Okay. And am I right in assuming that one needs to wait for 75 days from the start of the exclusivities for that exclusivity to be forfeited?

Arun Sawhney: That is not my understanding. My understanding is 75 days from the approval.

Alok Dalal: Okay, fine. Thank you for taking my questions.

Arun Sawhney: Okay.

Moderator: Thank you, Mr Dalal. Before we move on to further questions, I would request once again to all the attendees and the participants, if you wish to ask any question, please press "0" and "1" on your telephone keypad and wait for your name to be announced. And the next question is from Mr. Sonal Gupta from UBS securities. Mr. Gupta you can go ahead and ask your question, please.

Sonal Gupta: Hi, this is Sonal here. Thanks for taking my question. Just a couple of questions. What is your R&D run rate right now? Could you give a sense what is on a per quarter basis? How much this quarter?

Indrajit Banerjee: In the current quarter we spent about $22 million.

Sonal Gupta: Okay and year-to-date?

Indrajit Banerjee: Year-to-date we do not have the number readily but more or less has been at that same rate during the year.

Sonal Gupta: Right. And just one, Tricor, I mean that is another limited competition product where some of the other players are going to launch and you also have a settlement with Abbott. So just wanted to understand if you are indicating anything in terms of your launch timings and do you expect to be in the market along with potentially Lupin and Valeant in January, any comments on that?

Arun Sawhney: Yes, we would be preparing also for launch.

Sonal Gupta: So you expect to launch next year, I mean first quarter next year?

Arun Sawhney: Yes, if the opportunity comes, yes, we will launch it.

Sonal Gupta: I mean you are saying if you get the approvals from the FDA depending on that?

Arun Sawhney: Sorry?

Sonal Gupta: So is it contingent on anything or do you think that under your settlement you will be at par with other players?

Arun Sawhney: We expect to be on par with other players.

Sonal Gupta: Okay, great. Thank you so much.

Moderator: Thank you, Mr. Gupta. Well, the next question is from Mr. Hitesh Mahida from Fortune Equity Brokers Limited. Mr. Mahida, you can go ahead and ask your question, please.

Hitesh Mahida: Yes sir, I have two questions. One is on our Africa and Romania operations, even after investing so much on manufacturing facilities we are sort of seeing a slowdown in terms of growth rates since the last two quarters. And

RANBAXY LABORATORIES LIMITED

secondly on the domestic business, sir, is 13% the run rate we should take going forward?

Arun Sawhney: On the African business, yes, I also have addressed that with my team. Going ahead we should see a turnaround and improvement. So consider this as blips which were unplanned, but on the larger game plan for Africa, we should see a good growth in the coming period. As relating India business, yes, in the coming period you should see an improved rate of growth from Ranbaxy.

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

Arun Sawhney: Okay. Thanks.

Moderator: Thank you, Mr. Mahida. Well, the next question is from Mr. Sameer Baisiwala from Morgan Stanley. Mr. Sameer, you can go ahead and ask your question, please. Your line has been unmuted.

Sameer Baisiwala: Thank you. Good evening everyone. Just wanted to check what is your CapEx plan for Malaysia, Nigeria and Egypt?

Arun Sawhney: Malaysia we have already announced the total CapEx would be between 35 and 40 million dollars. For the others we have not yet made any public statement, Sameer.

Sameer Baisiwala: Okay. And 35-40 million for Malaysia would triple your capacities for focus markets

Arun Sawhney: The current capacities that we have in Malaysia.

Sameer Baisiwala: I see. It will triple your current capacities in Malaysia?

Arun Sawhney: That is right.

Sameer Baisiwala: Okay. The second question is for Valcyte. Do you expect an authorised generic when you launch?

Arun Sawhney: I am not certain, but it could be, we can expect there could be an authorised generic, but we do not have anything with certainty now to the best of my understanding.

Sameer Baisiwala: Okay. Your settlement does not exclude the possibility of an authorised generic. I mean it leaves the leeway for the innovator to have or not have?

Arun Sawhney: Yes.

Sameer Baisiwala: Okay. And it seems like a couple of other players have also now settled for Valcyte. Do you expect them to enter in 2013 or...?

Arun Sawhney: Sorry, can again you repeat? Sorry I missed it.

Sameer Baisiwala: I think that couple of other players Endo and Dr. Reddy's who too have settled for Valcyte. Do you expect them to enter market next year or would this be later?

Arun Sawhney: It should be after the exclusivity period I think.

Sameer Baisiwala: Okay. And the other question is, as on December 2011 on the balance sheet there was about Rs. 22 billion in current liabilities on account of derivative contracts. What is this amount as on the end of September?

Indrajit Banerjee: As of the end of September, the total derivative amount. Is that your question, Sameer?

Sameer Baisiwala: In current liabilities.

Indrajit Banerjee: Your question is in current liabilities, what is the total amount of?

Sameer Baisiwala: Liability on account of derivative contracts.

Indrajit Banerjee: It is 1.27 billion, I mentioned that.

Sameer Baisiwala: No, that is the outstanding derivative contracts.

Indrajit Banerjee: Right.

Sameer Baisiwala: I guess what I am asking is something different. There was about $450 million is Rs. 22 billion which was current liability payable...

Indrajit Banerjee: No, I understand what you are saying. That is on account of various liabilities which include the provision that we made for the penalty.

Sameer Baisiwala: No, penalty is I think over and above this, and this is solely on account of derivative contracts, unless I got my number wrong.

Indrajit Banerjee: Derivatives contract. I am not fully clear.

Sameer Baisiwala: I think when the Rupee moved from 40 to 55 or 53, all the write-off that you have taken is going and sitting in current liability which will probably get squared off as these derivatives expire.

Indrajit Banerjee: Yes, that is the counter provision to the entry that we take on account of the derivative.

Sameer Baisiwala: Yes.

Indrajit Banerjee: But... I mean if you want a break up of that, Sameer, I mean we will give something which we can share with you and then we will give it later. But that is not separately disclosed, so we will have to work that out and share with you.

Sameer Baisiwala: Okay. That is fine.

Indrajit Banerjee: The corresponding entries against the provisions that we are making.

Sameer Baisiwala: Right.

Indrajit Banerjee: But that is explained separately through the P&L entries that we described, right? I mean, that will be the counter to the P&L entries.

Sameer Baisiwala: Right. The only subtle point here is that when you take it through P&L there is no cash implication, but my guess is as and when you settle this $1.27 billion of outstanding

RANBAXY LABORATORIES LIMITED

derivative at the rate of 40 a month, at that time all this what was non-cash in nature would probably result in the cash outflow.

Indrajit Banerjee: That is to the extent that it matures. Yes.

Sameer Baisiwala: Yes, assuming the Rupee remains where it is right now.

Indrajit Banerjee: Exactly. That gets converted into cash as and when it matures, and assuming as you very rightly said, the exchange rate is what it is today. If the exchange rate strengthens, we tend to gain from that, if the rate weakens, then we tend to lose on that.

Sameer Baisiwala: Okay.

Indrajit Banerjee: That is right. But that happens gradually, right? Over a period of the next three years.

Sameer Baisiwala: That is right. But still it is a substantial number of $400 million or so. Okay. Just finally one question on the DOJ amount, $500 million. What is taking the time that it is taking in terms of finally concluding the settlement amount? And any inkling as to could this be a 2013 event or any timelines?

Arun Sawhney: Sameer, I cannot predict the timeline, but these are -- more delays I think more in the nature of formalities to be completed.

Sameer Baisiwala: Okay. That is fine. Thank you so much.

Moderator: Thank you, Mr. Sameer. The next question is from Mr. Surjit Pal from Elara Capitals. Mr. Pal, you can go ahead and ask your question, your line has been unmuted.

Surjit Pal: Thank you. My first question is that on Caduet, you said is that your core business which is around 100 million plus is including Lipitor and Caduet. But Caduet is still AG, is it because the margin you are getting from Caduet as an AG similar to your core business?

Arun Sawhney: Okay. When we say core business we mean business that is no longer in exclusivity period. But source of the product could be several, it could be Ranbaxy or not Ranbaxy. And product by its profitability figures we do not disclose, we do not discuss. We discuss the composite business performance.

Surjit Pal: That is true. But taking into consideration the substantial market share you have with this product, will it be, considering the similar way being AG that you are considering as your base business, I believe it will have a quite a good contribution also per quarter.

Arun Sawhney: Yes. To answer your first question, yes, it is considered as the base business now, because it is no longer an exclusivity product.

Surjit Pal: And any particular reason why the approval is not given to anybody including Ranbaxy being an FTF?

Arun Sawhney: No, I do not have any comments for why approvals are not coming through.

Surjit Pal: Are you pursuing FDA?

Arun Sawhney: I said I am not competent to comment on why approvals are not coming through for the others. And we have obviously forfeited our exclusivity and we are happy with the AG arrangement.

Surjit Pal: Okay. As far as Diovan, I think management said they have pretty strong confident that they will be launching in time in terms of approval will come. So what actually went wrong? Is it because of the shifting of the filing date which is contested by Mylan as well as Sandoz or is it something manufacturing issue, is there anything? Could you throw some light on that?

Arun Sawhney: For which product are you referring?

Surjit Pal: Diovan.

Arun Sawhney: I cannot comment and I do not think the issues that you are thinking are the ones that are bothering us now.

Surjit Pal: But at least you can confirm that you have FTF on the product.

Arun Sawhney: Yes, we have FTF on the product. That I have confirmed all along.

Surjit Pal: And still is a product of pre MMA?

Arun Sawhney: I do not know. We do not disclose this. I said we do not disclose our product strategies, filing strategies, regulatory strategies, these are proprietary information of the company.

Surjit Pal: Okay. Thanks.

Moderator: Thank you, Mr. Pal. The next question is from Mr. Rahul Sharma from Karvy Stock Broking. Mr. Sharma, you can go ahead and ask your question. Your line has been unmuted.

Rahul Sharma: Sir, I did not get on CIP-Isotretinoin, will you be launching it in Q4 or will it come in Q1 next year, sir?

Arun Sawhney: We will be most probably, almost certain launching in Q4.

Rahul Sharma: Okay. And, sir, I just wanted clarity on why your Africa is yet declining? Is it due to donation supplies or any particular reason.

Arun Sawhney: Yes, you are right. Donation supplies hit us in ARVs. And we were underperforming also in our non-ARV business. So both have had a compounded effect. And we expect reversal of both in the coming period.

Rahul Sharma: Okay sir. Sir API revenues are weak Q-on-Q, is the ramp up much lower for Nexium API supplies or what is the reason?

Arun Sawhney: API business in fact we are all very happy within the company that it is lower, not because it is lower in sales. We had taken a very strategic decision to shave off loss making and very, very low profit-making products. Where as a result -- actually in the business we are making pretty good profit. We want to go with that policy also into the future that we have a good portfolio that makes the business of Ranbaxy very healthy. So API overall, I am very, very satisfied with the performance.

Rahul Sharma: Okay. Sir, on East Europe other segment which is there, does it include CIS or what is it? Just wanted clarity on that.

Arun Sawhney: Does it include what?

Rahul Sharma: Is it only CIS or what does it...

Arun Sawhney: Well, East Europe would include Romania, Poland, Russia, Ukraine, all the other erstwhile CIS states

Rahul Sharma: Okay, sir. Thank you. I will join back in the queue.

Arun Sawhney: Okay. Thanks.

Moderator: Thank you, Mr. Sharma. And the next question is from Mr. Prakash Agarwal from CIMB once again. Mr. Agarwal, you can go ahead and ask your question, please.

Prakash Agarwal: Just one more question here on India business you said is 13% growth, but this includes Sri Lanka, right? So if we exclude Sri Lanka what is the growth that we can see?

Arun Sawhney: It would not make any difference whatsoever.

Prakash Agarwal: It is a very small piece, right?

Arun Sawhney: Very, very small piece. In fact from the future we will not be reporting Sri Lanka any longer, it does not make sense.

Prakash Agarwal: So it will be pure India.

Arun Sawhney: Pure India. Yes.

Prakash Agarwal: That is great. Thank you.

Moderator:` Thank you so much, Mr. Agarwal. So there are no more questions in the queue. I would request Mr. Khurana to please take it over from here for the final comments. Thank you.

Umang Khurana: Thank you, everybody. Thank you for attending the call. Piyush, I just saw you come online now. We can take all your calls if you do not mind off line now. And thank you again. Have a good day.

Moderator: Thank you, Mr. Khurana and thank you all the panellists. With this we conclude the conference for today. Wish you all a great day ahead. You call can disconnect your line. Thank you all for joining.