

Dr. Reddy's Laboratories Ltd.

Fourth Quarter Fiscal 2008

May 20, 2008

Nikhil

Thank you, Rita. Good morning and good evening everyone and welcome to Dr. Reddy's earnings conference call for the fourth quarter and full year ended March 31, 2008. We hope you've all had a chance to review our press release which was issued earlier this afternoon. The results are also posted on our Web site on the home page under the quick links icon. To ensure full disclosure, we are conducting a live web cast of this call and a replay of the call will also be available on our web site soon after the conclusion of the call. Additionally, the transcript of this call will be made available on our web site at www.drreddys.com under the quick links icon. Please note that all discussions and comparisons during the call will be based on USGAAP numbers and the IR desk will be available to answer any query relating to the Indian GAAP immediately after the conclusion of the call.

To discuss the results and the outlook, we have on the call today, GV Prasad, our Chief Executive Officer, Satish Reddy, the Chief Operating Officer of the company, and Saumen Chakraborty, our Chief Financial Officer.

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Before we proceed with the call, I'd like to remind everyone that the safe harbor language contained in today's press release also pertains to this conference call and the webcast.

I would now like to turn the call over to Satish Reddy, our Chief Operating Officer.

SATISH REDDY, Chief Operating Officer

Thank you, Nikhil. I would like to thank all the participants for joining us on the call today.

- I am pleased to report that we ended the fiscal year 2007-8 on a strong note with highest quarterly revenues of \$331 million.
- We ended the full year with revenues of \$1.25 billion, EBITDA of \$243 million and a reported EPS of 70 cents. The full year numbers do not include any upsides and reflect the potential of the underlying businesses.
 - During the year, we consolidated our presence in the profitable markets of India & Russia and made significant progress towards creating a sustainable and profitable base in the US and Europe. Full year revenues from all generic markets are at \$825 million or about two-thirds of our total revenues.
 - The balance \$415 million or one-third of our total revenues are contributed by APIs and CPS businesses taken together. API business contributed \$295 million and CPS business contributed the balance \$120 million. During the year, we further strengthened the product and customer mix in these businesses. This is reflected in the strong growth in the organic CPS business and the impressive growth in the APIs business excluding the benefit from upsides in 2006-7. In the API business, we have an excellent portfolio of customers which includes most of the key global generic players. Our top 10 customers together account for more than half of our revenues.
 - We continued the expansion of our global product portfolio, both in terms of filings as well as global launches. Globally, we launched more than 89 products and filed more than 397 product filings.
 - We continued to make significant investments in strengthening our capabilities and infrastructure for addressing future growth opportunities. Close to \$140 million has been invested in creating additional manufacturing capacities. We also made strategic

investments in the recent acquisitions in US and UK. We strongly believe that these acquisitions will help enhance our R&D capabilities in the CPS business and supply chain infrastructure / footprint in the US.

- Before Saumen discusses the numbers in detail, I would like to cover some of the important business highlights in the Global Generics segment.

Global Generics

- In **India**, we crossed **\$200 million in revenues** and our growth was in line with the overall market growth rate. Overall growth was driven by the performance of the key brands as well as new products launched in the last 30 months, which now contribute about 18% of our total revenues. We also benefited from the launch of our 2nd biogeneric product in India called Reditux. Even after a year of our launch, there are no new entrants in the marketplace. And, we expect to launch at least one new biologic product in India over the next few years.
- In **Russia**, we continue to outperform the industry growth rate in the retail segment. Revenues in Russia increased by **22% in \$ terms** crossing the **\$100 million milestone**. I am pleased to share that Dr. Reddy's is among the fastest growing international branded generic company in Russia in volume terms. On the back of a strong performance, we improved our market rank to become the 14th largest pharma company in Russia.
- In the **US**, base revenues increased by **39% in \$ terms** to **\$201 million**. For the first time, we have crossed \$200 million revenue mark in true base revenue without any upsides. We have launched 11 new products and filed 18 ANDAs during the year. As you are aware, we entered the OTC segment and commenced supplies of generics to the government agencies and this added to the overall growth in this market.
- We **sustained our performance in Germany** despite rapid changes in the marketplace and we ended the year with revenues of \$205 million and an EBITDA of \$27 million. The EBITDA is definitely lower than last year but we are pleased with the full year numbers given the significant challenges that

we faced in this market during the year. For a substantial part of the year, we had significant stock-outs due to the ongoing supply constraints and this coupled with the fact that as we were moving products to our own supply chain network, we had to pay higher costs for buying the products from our main supplier Salutas. Without these constraints, our revenues and EBITDA would have been far higher. Further, the pricing pressure was much more moderate in FY07 and the stock-out situation has improved significantly from a peak of about 30% to just under 10% now. We remain on track to completely de-risk the supply situation and expect to realize the full benefits in fiscal year 2008-9. We are beginning to witness the benefits from the easing of the supply situation and the market share of betapharm has recovered sharply to 2.96% in March 2008 as against a low of 1.74% in April 2007.

To conclude, we are witnessing a positive traction in all our businesses. India and Russia are set on firm growth trajectories. US is scaling up rapidly on the back of new product launches. Our mitigation strategies in turning around betapharm are already beginning to yield results. And after 2 years of volatility in the API and CPS businesses, we are expecting more consistent performance going forward.

With this introduction, I now request Saumen to discuss the financials in detail.

SAUMEN CHAKRABORTY, Chief Financial Officer

Thank you, Satish.

Let me first start with the **highlights for the fourth quarter.**

- We had the benefit of ondansetron with 6 months exclusivity and rabeprazole API during Q4 FY07. This time, there is no upside. However, PBT for the quarter includes a few exceptions which I will explain in detail.
- Revenues are at \$331 million, the highest for any quarter in FY08.
- Overall EBITDA for the 4th quarter is at \$65 million.
- In Germany, on the back of improvement in the supply situation, we recorded the highest quarterly net revenues for this year at \$59 million. And we achieved this level of performance after the deduction of rebates paid to insurance companies from revenues.
- Revenues from US generics at \$62 million, the highest for any quarter in FY08. This was largely due to the positive impact of all the launches during the year.
- Finished dosage revenues from India recorded strong growth rate of 24% to \$ 50 million driven by strong performance of key brands.
- Organic CPS business continued its growth momentum in the 4th quarter recording 60% growth to \$17 million.
- Overall gross margin for the quarter is at the higher end of the range at 53%. This is due to the following break-up: API at 37%, CPS at 41%, Branded Formulations at 76% and Generics at 51%.
- SG&A for the 4th quarter is at \$107 million.
- During this quarter, we took a further accelerated write-down of intangibles and impairment of goodwill of \$5 million. These intangibles are related to our Spain acquisition and goodwill is related to our R&D subsidiary in Atlanta.
- Overall profit before tax is at \$30 million and net profit after tax for the 4th quarter is at \$26 million.

Let me now explain the **full year performance.**

- I would like to re-emphasize what Satish mentioned earlier. We established a topline run rate of \$100 million per month without any upside with one-third coming from API and CPS businesses and about 1/3rd from branded formulations and balance 1/3rd from the Generics business. Our full year revenues are at \$1.25 billion.
- Full year gross margin is at 51% and R&D spend at 7% of revenues. Both are in line with our earlier guidance.
- The break-up of GP% is as follows: API at 34%, CPS at 35%, Branded Formulations at 73% and Generics at 48%.
- Full year forex gains at \$19 million compared to \$3 million in FY07.
- Full year EBITDA is at \$243 million, profit before tax is at \$85 million and net profit after tax is at \$117 million.

Let me now cover the **balance sheet highlights as of the year end,**

- Full year capex spent is at \$140 million.
- Cash position as of March 31st is at \$304 million including short-term investments.
- Overall debt-equity ratio has improved to 0.41: 1 as of March 31, 2008 as compared to 0.6: 1 a year earlier. We have financed our subsequent acquisitions through internal accruals only. However, we have considerable scope for leveraging the balance sheet in the future.

We are moving to IFRS reporting from FY09. However, the transition process would entail Q1 results to be reported on USGAAP basis while in Q2 we would report in both the standards. Thereafter, we will completely transition to IFRS only.

Let me now hand over the call to Prasad for a brief update on the key growth drivers in each of our businesses.

GV PRASAD, Chief Executive Officer

Thank you Saumen.

Over the last decade, Dr Reddy's has evolved from an India-centric company with about \$200 million in revenues for the year 1999-2000 into a \$1.3 billion global company. Our revenues have grown at a CAGR of 27% while the profit has grown at a CAGR of 44% during this period. This growth has been largely driven by the strong performance of our core businesses of APIs and branded generics in rest of the world markets. In terms of markets, India, Russia and the US have emerged as our strategic markets growing almost 6 fold during this period from \$85 million to \$500 million. The acquisition of betapharm has added Germany as another strategic market with a base of \$200 million in revenues. These 4 markets provide the right balance to us - two of the fastest growing emerging markets and two of the largest pharmaceutical markets in the world for generics.

We now look at our existing and incubation businesses as 3 distinct business segments,

- **Global Generics**, which focuses on the generic branded and unbranded markets,
- **Secondly we are combining our Custom Pharmaceutical Services and Active Pharmaceutical Ingredients businesses**, into what we now call as **Pharmaceutical Services and Active Ingredients**, PSAI in short and these two businesses have significant synergies and they will benefit from this combination.
- **Innovation**, which includes our efforts in Specialty, Biologics and New Chemical Entities for the global markets. These businesses are largely at the incubation stage.

The strong fundamentals and current scale in the Global Generics and PSAI businesses gives us confidence in their future potential. We will continue our investments in creating distinctive 'product development' and 'supply chain' capabilities as well as creating new markets towards achieving our goal of global leadership in these businesses. We will balance this effort with our long-term commitment of building a profitable and sustainable branded business as part of our overall Innovation strategy and this will help us over time **transition into becoming a discovery-led global pharmaceutical company.**

Let me now provide an overview of the key priorities for 2008-9.

- Our most important priority is to deliver strong financial growth over 2007-8 both in terms of revenue and profits. We expect to drive overall revenue growth by 25%, with significant improvement in profitability. We also expect to maintain the Gross Profit at 50% plus and R&D expenses to revenues at 7% of revenues.
- The other important priority is to drive significant improvement in the performance of betapharm. The market environment in Germany will continue to remain competitive. We expect to complete the ongoing product transfers by second quarter of 2008-9. This will enable us to improve our financial performance on the back of significant improvement in the timely availability of products as well as the savings in manufacturing costs.
- In the innovation businesses, our priority this year will be to accelerate the pipeline development & commercialization while enhancing the development and manufacturing infrastructure for targeting the global opportunity.
 - Building a Specialty Branded Business in the US is one of the important aspects of our Innovation strategy. We are preparing for the launch of this business next year with focus on the dermatology segment. This is the result of our continued efforts over the last few years in establishing this business through a combination of in-licensing initiatives as well as internal pipeline development programs. While initially this will not be a

financially significant business, it is a key first step in our journey of building a business based on innovative products.

- On the biologics side, we are likely to have a busy year with at least one new launch in India and a few launches in certain international markets. Simultaneously, we will continue to advance our pipeline opportunities. By the end of year, we expect to be in a position to target at least 1 new launch every year for the next few years. To support this ramp-up, we are making significant investments in enhancing our manufacturing and development infrastructure.
- Finally, we will also drive operating efficiencies through various ongoing improvement initiatives in the company.

To conclude, we have put in place a strong growth engine well supported by our global scale & infrastructure a distinctive business model and strong portfolio of products and markets. Despite the rapid changes in the generics industry globally, we remain confident of our ability in balancing short-term profitability and long-term growth and delivering consistent growth in revenue and profits from this point onward.

Thank you all for your time and attention today. Now, we will be glad to take your questions.

Q&A Session

Balaji: Hi, just couple of questions regarding the Betapharm business. Can you just highlight what proportion of products have been moved to India by now, and 2, on the back of these, will we see market share continuing to rise?

Satish Reddy: In terms of the number of products, we had started moving most of these products last year itself, so by December, we had moved a significant portion of the products back to India, in terms of what we wanted to transfer back here, so they roughly constitute maybe about say 50% of the sales, that is something that has been moved back. In terms of specifics, 13 products have been transferred to India.

Balaji: Do you expect any further price cuts to happen in Germany?

Satish Reddy: Yes. There is an expected reference pricing and copay that is going to be announced on June 1st.

Balaji: Okay. Do you have any idea on the quantum which may be announced?

Satish Reddy: I mean, we expect it to probably around, say maybe another 6 to 8% or so.

Bhavin Shah: My question pertains to the recent acquisition that we have done. If you could share your view on that please. Thank you.

GV Prasad: Basically, the Dow Pharma acquisition and the small molecule business that we acquired which has an R&D center in Cambridge and the manufacturing facility in Mirfield near Leeds in UK. This is a CPS business acquisition. This is the combination of technologies for manufacturing and the portfolio of customer, and these technologies are primarily in the area of chiral technologies, and we will use these technologies to further our CPS business as well as to help us in improving our processes in the API and other allied businesses. So, basically, this business was for the technology. The technology was the thesis for acquiring this business. The BASF facility that we acquired in Louisiana is primarily to support our North American generics business. While it does have some contract manufacturing revenues for about 40 million dollars, the primary focus here is to use to strengthen our supply chain to the North American generics and OTC businesses and basically infrastructure, so this is the logic for these two acquisitions.

Neelkanth: Is any impact of shelf stock adjustment in the US this quarter?

Saumen Chakraborty: No.

Neelkanth: Because you are trying to reconcile your sales, and there has been a significant jump quarter on quarter, any particular products that you will highlight related to this jump?

Saumen Chakraborty: No. As I explained, you know, all the launches which have happened during the year, so this quarter you had effect of all of them together.

Neelkanth: So, quarter on quarter, you had number of launches in the fourth quarter?

Saumen Chakraborty: Yes. This quarter represents the market share and revenue that we have got from all the products which has come.

Neelkanth: Okay thanks. I had just one more question. I will join back in the queue then. Russian formulations, the sales growth in this quarter year on year was much lower than that for the rest of the year, any particular reason?

Saumen Chakraborty: Traditionally, in Russia, the quarter 4 revenue is very low. That is why if you don't take the FY07, the previous year's Q4 used to always portray lower performance, but now the Russia sales which is lower in Q4 is getting partially offset by higher sales in CPS India.

Neelkanth: No. I understand that sir, but I am just trying to understand, you know, this season effect would have been there in the fourth quarter of last year as well.

Saumen Chakraborty: Every year, Russia in Q4 is lower.

Neelkanth: I understand that, but on a year on year basis, the growth number still looks weak.

Satish Reddy: No. I think year on year we reported 22% growth in dollar terms in Russia, right, for the full year.

Neelkanth: For the full year, but the fourth quarter number was in single digits.

Satish Reddy: I think, see, this seasonality factor is something we have to take into account for any of these branded generics business and even Russia nowhere, you know, out of it. So, I would urge you to take the guidance, you know, in terms of what it is for the full year.

Neelkanth: So, going forward, the growth rate will remain in the 15% to 20% range.

Satish Reddy: I think last time we had indicated that growth rate will be between 15% to 20%.

Visalakshi: You gave a revenue guidance of 25%, could you clarify whether is this in dollar terms or rupee terms, and if you could, you know, specify little bit in detail as to how the various business components could grow in revenues?

Saumen Chakraborty: This is in rupee term we are expecting, and how it is going to grow across business, I think you will get a better idea when we are discussing next quarter.

Visalakshi: Okay, coming to SG&A and R&D, what is the guidance for fiscal 09 in terms of percentage of sales?

Saumen Chakraborty: R&D, we have given 7%. SG&A, we are not giving any guidance, but we don't expect any abnormal growth. It will be very normal growth.

Mehta: First of all, can you let us know what could be the sales in Betapharm broken up between the tenders with AOK as well as the retail sales that you would have been doing and you know roughly how does that compare with the industry standard, now that everything is moving towards the insurance purchase program.

Satish Reddy: One thing is, in the AOK tenders, we have not won any tenders, so that there is no component of that, right, so everything that we have sold is out of that. It is all with in terms of contracts with SHI's.

Mehta: So, I mean, the entire revenue for FY08 is actually through the tenders from the insurance company, is it?

Satish Reddy: Yes, there are no tenders as a part of it, that is what I am saying.

Mehta: There is no tender as a part of it.

Satish Reddy: I think you are trying to refer to the AOK tenders that got finalized and which were subsequently cancelled, right, so Betapharm did not win any tenders in that particular thing, that is what I am trying to allude.

Mehta: Okay, fair enough, and second is, I wanted to know, we have seen the launch of generic or the likely launch of generic Plavix in Europe by a few companies, I mean, one of them is Ratiopharm and the other is a German company, any likelihood of Dr. Reddy launching the same, I mean, under a different salt or any such thing?

Satish Reddy: There is a plan to launch from our side, but I would not be able to disclose much further on this.

Mehta: I mean, in your revenue guidance, can we expect this to be included in it?

Satish Reddy: No.

Mehta: Okay, and my final question, and I will join the queue. Wanted to have your guidance on the impairment that you are charging every year, what could be going forward?

Saumen Chakraborty: As I clarified earlier also that we did not have any goodwill impairment. We took additional amortization on product related intangibles, so if some product is getting out of the top 10, it might have some impact in terms of taking additional amortization, but I expect that to be very marginal or insignificant in future.

Neelkanth Mishra: Sir, the debt increased by about 62 million dollars in 4Q8, any particular reason?

Saumen Chakraborty: These were short term packing credit.

Neelkanth: And all the subsequent acquisitions, where you would have paid, you know, 60 to 70 million dollars that would have come out of accruals in your cashflow.

Saumen Chakraborty: Yes. Absolutely.

Neelkanth: And the effective tax rate for FY09, what should we take sir?

Saumen Chakraborty: We are not giving any guidance on that, maybe after Q1 we can discuss it.

Neelkanth: Okay, and in the guidance, while you were talking about 25% revenue growth and significant improvement in profitability, so are we looking at EBITDA margin expansion as well?

Saumen Chakraborty: I am again saying wait for the next quarter.

Neelkanth: Okay, thanks very much.

Sonal: Thank you. Sir, could you tell us what was your fexofenadine sale for Q4 FY08?

Nikhil: I don't have the numbers readily. We will send it across to you.

Sonal: Okay, because, also just, same question is if you believe that the US generic sales that we are seeing in the Q4 this year is the sort of paced business growth, and there is nothing going to be exceptional really speaking.

Saumen Chakraborty: Yes, there is no exceptional there.

Sonal: Okay and just another question was on the FX exposure overall, I mean, as on a business basis, what would be sort of your net dollar exposure, if you could tell us something on that?

Saumen Chakraborty: You are asking about how much we have hedged?

Sonal: No. In terms of how much are you naturally hedged because of your raw material and other factors, sales versus costs?

Saumen Chakraborty: Maybe, we will have to get into more details, but we have some hedging on the import as well as on the SG&A side because quite a good number of our sales force is paid in dollars, and we have the Euro loans which is not in dollar, and we are taking the hedging, so as on date we have around 380 million dollars of coverage in hedging.

Sonal: Right sir, and also just coming back to the question, amortization, you are saying that it is going to be marginal going forward, I mean, it is not going to be in the range that we have been seeing it over the last couple of years.

Saumen Chakraborty: Yes, unless, something drastically changes in the Germany market, we don't expect.

Sonal: Okay sir, and sir, finally on the revenue guidance, I mean, you have 25% year on year, how much of that is factored in because of inorganic or acquisition related factors?

Saumen Chakraborty: It includes the running part.

Sonal Gupta: The existing ones, right?

Saumen Chakraborty: Whatever we acquired recently in April.

Sonal: In terms of you mentioned on the BASF facility, 40 million dollars is contract manufacturing revenue, so will this continue to come through or will the facility be for your US operations?

Saumen Chakraborty: No. It will continue to come through plus it is going to support our US generics for government business and for OTC, even for supply chain improvement in terms of packing there locally.

Sameer: Just on the sales guidance, does this include upside from Imitrex?

GV Prasad: It includes all revenue for the year.

Sameer: Okay, and second question, I think you mentioned that as part of the guidance, we should expect improving profitability.

GV Prasad: Right.

Sameer: Again, this includes upside from Imitrex.

GV Prasad: Yes.

Sameer: Okay, and I am a little confused on this margin point because you have mentioned that 50% gross margins for the full year is not too different from what we had in fiscal 08, R&D 7%, and SG&A more or less in the same line. So, these three numbers total up to about 87% of your cost, as a percent of sales, which is not too different from fiscal 08, so when is this margin improve?

GV Prasad: No, we are not saying 50% at an absolute level. It will be in the region of 50% of what we are saying, right.

Sameer: Okay, and what were the capex plans for the current fiscal.

Saumen Chakraborty: It will be lesser than FY08.

Sameer: Could you quantify that?

GV Prasad: It depends on the project schedules, we have two major projects, one is the biologics, and the other one is the new generics facility, so it depends on the implementation schedules, but it should be significantly less than last year from what is mentioned.

Sameer: Okay, and just one last question. I think you mentioned that the hedging totaling about 380 million dollars.

Saumen Chakraborty: Yes

Sameer: Could you indicate at what dollar-rupee price you said?

Saumen Chakraborty: It has been taken at various points of times, so there is various price rates. We go for a plain, you know, simple kind of an instrument. It will be various points, maybe from 40 to 42.

Sameer: 40 to 42, you said.

Saumen Chakraborty: Various points, which is not a single one.

Sameer: Simply because you must have taken this cover over the last 6 months or so, I would imagine, and.....

Saumen Chakraborty: We take it actually some against the receivable and maybe half of it is against projected revenue, but that also we take a very less percentage of overall revenue for the hedging.

Agarwal: Just wanted to check on the SG&A expenses. You know, we have seen a huge amount of variation during the year as far as the SG&A line has been there. Is there any element of one-off generally there or this is the run rate we should assume going forward?

Saumen Chakraborty: No, there is an element of one-off there, and every quarter, you know, there have been some specific thing. Overall, SG&A growth, if you have seen in dollar term, which is around 17% from FY07. Rupee term, it will be around 7%.

Agarwal: Okay, I know, if we see like even in the future basis.....

Saumen Chakraborty: Quarter to quarter, you know, may not be very appropriate way of looking at because of this variation.

Agarwal: Even on a YoY basis, 345 crores have already gone up to about 427 crores for the current year, so what is the amount, you said there is element of one-off, what could be the extent of this one-off which is there.

Saumen Chakraborty: Some of the exceptionals, it comes in SG&A area, so you know, there are various things which accepted, that is not one single thing.

Agarwal: In terms of quantum of it, SG&A?

Saumen Chakraborty: In this quarter, it will be almost 5 to 6 million dollars.

Agarwal: Okay, for the full year, how much would that be?

Saumen Chakraborty: I will not have it readily.

Agarwal: Okay fine, thank you, and secondly, you know, on the, can you give me some sense on, you know, the visibility which is there on the Para IV pipeline if not for the current year, I mean, current year, in fact it would take us 2 to 3 to 4 years view out, and potentially what is the kind of Para IV, first to file Para IV portfolio, that we really have in terms of number of potential first to files that are there?

Nikhil Shah: Yes, In terms of galantamine, we are expecting the decision anytime soon. The other one is in terms of omeprazole magnesium OTC product, and there we are quite optimistic in terms of the case getting resolved over there in the next year and year and a half, so that is the other opportunity that we are looking at, and a few other FTF opportunities that we have, which are still in early stage in terms of the litigation process.

GV Prasad: As we look at our pipeline, I think, we are adding about 5 every year.

Agarwal: Is there a number that you can put in terms of number of potential first to files which we have currently as we look at it.

Nikhil Shah: We have about 15 first to file opportunities.

Nikhil Shah: So, obviously in terms of the pace of the litigation that is spread over the next few years. In addition to that, we will have at least 10 to 15 launches every year, so that adds to the overall base.

Shahina: Actually, I wanted to take forward that question on Imitrex. Could you give us some idea of sense as to what the sales are for the last 12 months in US for the product?

Saumen Chakraborty: We are not disclosing that.

Shahina: I am sure it would be available on general common.....

GV Prasad: We don't have those numbers readily here.

Shahina: Or maybe for one of the months, or maybe March if you can give me, just some sense because I had some older numbers, but I just wanted to know if it varies from this 640 to 650 million dollars.

GV Prasad: It has gone up. I think it is closer to a billion dollars.

Shahina: I see, and this was US market you are talking about.

GV Prasad: Right.

Shahina: You would be able to start launching this product in the first quarter itself?

GV Prasad: No.

Shahina: Second quarter?

GV Prasad: Late Q3.

Shahina: But the product is expiring in February 09 right?

GV Prasad: Yes.

Shahina: So, you would be launching at 6 months before that.

GV Prasad: Not 6 months, we would be launching a couple of months before.

Ms. Shahina: Okay, so we see the impact in the second half.

GV Prasad: Yes.

Shahina: Would this be the only FTF during the year or do you have something else that is likely to come in?

GV Prasad: This should be an authorized generic.

Shahina: Sorry, authorized generic, and any other?

GV Prasad: Nothing that we have factored in for this year.

Shahina: Okay, but this itself should be pretty big. Could you give us a sense as to what is the other type of competition that is likely to come in because this is authorized, so you expect them to be three players or more?

GV Prasad: I cannot predict that, but you know, it is not going to be a very big opportunity.

Shahina: Why would you say that?

GV Prasad: Because of the economics of what we are doing, the deal.

Shahina: I see, okay. Just another one on the tax. Could you give us a sense, would it be MAT or because this year, I mean, it does not really give me a sense as to what amount of tax we would be having next year?

Saumen Chakraborty: As I said, we are not giving guidance as of now, but maybe after the first quarter, we will make some indication.

Shahina: Okay, thank you very much.

Mukherjee: Thanks for taking my question. Sir, can you share what was Betapharm EBITDA in quarter 4?

Saumen Chakraborty: No. We are not sharing quarter by quarter. EBITDA for a particular business, we are only sharing for Betapharm, that also we did it for last year as a whole, so this year also we have put the whole, FY08 as a whole.

Mukherjee: Okay sir, actually, you know, Betapharm has gone through a lot of transitions, so not seemed to be stabilizing, so I mean, in terms of outlook, where do you see EBITDA moving to?

Saumen Chakraborty: We want to definitely get back to the FY07 levels in FY09?

Mukherjee: In FY07 was how much sir?

Saumen Chakraborty: 42 million dollars.

Mukherjee: Okay sir. Sir, any update on fondaparinux filing in the US and how you see that opportunity holding for you?

GV Prasad: It is a little early to talk about that.

Mukherjee: Okay, do you expect this launch in FY10?

GV Prasad: I think we have not filed the product yet, so it is early to comment on that.

Mukherjee: Okay, and sir, the last question I have is on the inventory, you know, that seemed to have gone up, where we are looking at a base business growth excluding one-offs in the range of you know 7 to 8% this year, any particular reason for that?

Saumen Chakraborty: Yes, one is compared to last year, this year, in selling more out of our own production and then we had the technology transfer where we had to put it to Germany and there have been many product launches, and for every launch, the initial launch quantity leads to higher inventory. Having said all these things, there is scope to reduce our inventory overall, which will see next year.

Mukherjee: Okay. Sir, how many products we expect to launch in US in the next year?

Satish Reddy: See, about 15 products we should be able to launch.

Mehta: Yes, Just on the Betapharm. Have we retrenched sales people or is there any plan to retrench the sales team?

Saumen Chakraborty: We have rationalized our sales force and we are doing it dynamically as the transition happening in the Germany market.

Mehta: So, what has been the quantum, I mean, what was the sales force earlier and what is it now and how do you see that going forward?

Satish Reddy: This happens at different points of time, right, so this is not like a lay-off or any of these, you know, quantum retrenchment that we have undertaken so far, right so, as the market evolves, you know, and depending on how much of a sales force will be required, we will take the appropriate actions and mostly align us structurally according to the movement in the market.

Mehta: Okay and what is the sales force as of now?

Satish Reddy: It is around 140.

Mehta: 140, okay, and marketing costs roughly as a percentage of sales, what would that be in Betapharm?

Saumen Chakraborty: We do not have that right now.

Mehta: Okay fine. One last thing, I have actually missed the gross margin numbers for the quarter, if you can just repeat these?

Saumen Chakraborty: For the quarter?

Mehta: Yes.

Saumen Chakraborty: For Q4, it is overall 53.

Mehta: Right.

Saumen Chakraborty: You want a business-wise breakup?

Mehta: Yes, business wise breakup.

Saumen Chakraborty: API 37, CPS 41, Branded formulations 76 and generics 51.

Visalakshi: Thank you so much. My question is on your drug discovery programs. What are the key milestones that one should expect over the next 12 to 18 months in terms of your various programs?

GV Prasad: Yes. I think if you look at our pipeline, I think, the one which is most advanced 2593 is a file ongoing, I think we expect the next milestone by mid-2009, and this will establish the differentiation of the product. This is a major clinical milestone that we can see. The other one would be 1042 entering phase

II. Other than that, I can't see any major milestones coming out in the next few months.

Visalakshi: And 2593, what is the status in terms of the phase III trials for the US market?

GV Prasad: There is a trial ongoing. There is a trial called trial 307, which is aimed at establishing the differentiation, which is basically a lack of weight gain, and I think the results are expected by mid-2009.

Neelakanth: I have a quick question on the CPS business. When do we expect the raw material shortages to basically get over and business to start growing at a healthy pace?

Satish Reddy: The raw material problem is already sorted out.

Neelakanth: So, the decline year on year that we saw is just the pace that we should expect going forward?

Satish Reddy: From the Mexico part of the business, right so, if you separate out from the India business, which is growing pretty well.

Neelakanth: Right.

Satish Reddy: If you just take the Mexico business, what happened last year was a little bit of an overhand of the previous year because that year there was an excessive demand, so that much of demand does not exist anymore, right so, it will be mitigated more by additional sales of the product and also newer products coming in the portfolio, right, so now it will be more of a steady growth from this year onwards.

Neelakanth: Okay, so going forward, we should expect steady growth on this base.

Satish Reddy: On this base, yes.

Neelakanth: Okay, and on the base of ANDA filings, you know, all of your competitors now have, I understand, ANDA quality perhaps matters more than ANDA quantity, but all of your competitors seemed to be accelerating their ANDA filings, and you know, the big ones are all pending ANDA's in the 90 plus range, but in your case, the number seems to have fallen from 69 odd to now 58. Is there any specific reason why it has fallen off, any conscious decision to change your strategy?

Nikhil Shah: Yes, 58 represent the ANDA's where we have not received any approval. There are 12 which have tentative approvals. So, the total number is

70 ANDA's that are pending, so the breakup is 12, where we have received tentative approvals and 58 where we have not received any tentative approvals yet.

Neelakanth: Okay and how many do we expect to file every year.

GV Prasad: 18 to 20.

Sonal: Yes, hi, just a follow-up question, what is the assumption on the exchange rate that you are taking in your guidance?

Saumen Chakraborty: As I said that we are taking on rupee terms, so that means whatever exchange rate happens, we will have to mitigate with our strategy.

Sonal: No Sir, but in your current assumption, have you taken any current exchange rate or have you taken it as of certain date?

Satish Reddy: I think what we are trying to say is that you know on rupee terms we will achieve 25% growth. I think that is important to note.

Shantala: Yes, hi, can you repeat what you said about your para IV filing and first to file pipeline?

Nikhil Shah: Yes, we have a total of 70 ANDAs that are pending approval. About 15 of them first to file opportunities, and an overall about 30 plus para IV opportunities.

Shantala: Okay and the first to file pipeline, how much would be the innovator sales?

Nikhil Shah: I don't have the number readily available. I will mail it across to you.

Shah: Just wanted to know something about the Germany. How often does the reference price list gets updated?

Saumen Chakraborty: Every alternate year.

Shah: Every alternate year. So, if a drug is off-patented and comes to the reference price list at the one year later, right?

GV Prasad: It is not based on patent expiry; it is based on the group therapy cost.

Shah: Okay, okay, and another point on this R&D, I want to know whether you would be doing any weight studies with any major class of drugs with balaglitazone.

GV Prasad: It is going to be compared with the other part of the compound out there, but the study is primarily to prove that there is no weight gain.

Nikhil Shah: Thank you Rita. We would like to thank all the participants for joining us on the call today, and for any further clarifications, please feel free to get in touch with the IR desk either on phone or by mail. Thank you.