



Jubilant Life Sciences Q2 FY12 Results Investor/Analyst Conference Call Transcript November 1, 2011

Moderator: Ladies and gentleman good day and welcome to the Jubilant Life Sciences Limited Q2 FY12 Results Conference Call. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. Joining us on the call today are members of the senior management team at Jubilant Life Sciences Ltd. At this time, I would like to hand the conference over to Ms. Nidhi Aggarwal. Thank you. And over to you, ma'am.

Nidhi Aggarwal: Thank you. Good evening, everyone. And thank you for being present on Jubilant Life Sciences conference call for the quarter and half-year ended September 30, 2011. Leading the call today are Mr. Shyam S. Bhartia – Chairman and Managing Director, and Mr. R. Sankaraiah -- Executive Director, Finance of Jubilant. As always we will begin with key messages from the Chairman, Mr. Bhartia and Mr. Sankaraiah on the business and consolidated financials for the period ended September 30, 2011, thereafter the forum will be open for queries that you may have. I would request everyone on the call today to please refer to the investor presentation for the disclaimer. At this time I would like to invite Mr. Bhartia, our CMD to share his views. Sir.

Shyam S. Bhartia Thank you, Nidhi. Good evening and a warm welcome to you all. I trust, you would have had the opportunity to look at our results presentation. In Q2

2012, our revenue stood at Rs. 1,048 crores, up 22% YoY and 11% QoQ. EBITDA stood at Rs. 241 crores, up 58% YoY. Net profit in the period was at Rs. 79 crores after accounting for exceptional items of Rs. 43 crores and grew by 8% YoY.

International business contributed 70% of overall revenues and revenues for the regulated market stood at Rs. 608 crores. Product revenues were at Rs. 833 crores, contributing 79% to overall revenues. Growth in Products segment stood at 25% YoY and 13% QoQ backed by both volume growth and pricing strength. Services revenues at Rs. 215 crores has shown 12% growth YoY and 5% QoQ basis improvement in both CMO and DDDS business.

Moving on to H1 FY2012, the revenues were at Rs. 1,992 crores, 19% higher on YoY, EBITDA was at Rs. 431 crores up 46% YoY. Net profit was at Rs. 156 crores, up 26% YoY. International business had contributed 69% to the overall revenues. Revenues from regulated market stood at Rs. 1,130 crores. Product revenues stood at Rs. 1,572 crores contributing 79% to overall revenues and showed a growth of 22% YoY backed by volume growth and pricing strength. Services revenue were at Rs.420 crores, up 8% YoY with improvement in CMO service revenue, successful milestone achievements and additional integrated discovery programs in DPDS business.

I would like to share my perspective on business wise performance in the quarter and the progress that we have made. Starting off with our Products business, in Q2 2012, the share in revenue of Life Sciences Ingredients was at 56% to Rs. 592 crores YoY growth of over 6%. The API business continued to show good YoY growth in revenue and margins backed by launch of Olanzapine and Atorvastatin in Europe and Japanese markets.

During the quarter we filed two DMFs in local anesthetic and anti-psychotic, therapeutic areas taking the total US DMF filing to 54 and 3 CEPs taking cumulative CEPs filings to 29 with many other filings in Canada and ROW. Sartans remain the growth sector for us as we are ramping up delivery of Irbesartan and Valsartan support in European and north American markets with support of higher capacity utilization of our new API plant.

Our nutrition ingredients business, I am happy to note that we are recently commissioned manufacturing facility at SEZ in Gujarat which will commence commercial production of 10,000 tons of Niacinamide and intermediate namely 3- cynopyridine to cater to the growing global needs of nutrition ingredients. The business is expected to be growth driver in near-term as we leverage our strength in feed, food, and personal care sectors.

During the quarter gone by we have launched two new products in Animal Nutrition space in domestic market and have received good response from the same.

The proprietary products and exclusive synthesis or PPES business continues to deliver well against present contracts. We have expanded our pyridine capacity during the quarter as planned and we are now catering to global requirements from new facilities as well. We also commissioned multipurpose fine chemical facility to cater to pharmaceutical industry at SEZ. To add further, our symtet plant is on track, while earlier this year, plants for agro active/ intermediate has been commercialized, building base for growth in this segment. We signed a long-term supply agreement with leading international Life sciences company. The total value of this “take or pay” contract is in the range of US\$ 80-100 million and this forward, integrated intermediate is to be supplied over three years starting from the first quarter of FY2013. Our R&D efforts are yielding results with quality improvements in downstream products as well as for NCE projects with key Pharma players.

In Life Sciences chemicals we have made good progress in terms of capturing the uptrend due to excellent demand of our products in the international and domestic regions. As per strategy to strengthen reach in European markets, we appointed a leading Sweden based firm as sales and marketing agent for two key life science chemicals. With regard to our capacity expansion, the project is likely to start contributing in the third quarter.

Our Generics segments with sales of Rs. 241 crores in Q2 FY2012 contributed 23% to the revenue mix and recorded a stupendous growth of 118% YoY. In solid dosage formulation business both price and volume with

increased market share of existing products and new products launch has helped YoY growth recorded this quarter. I am glad to share that we have received ANDA approval for Pantaprazole Sodium Delayed Release Tablets which we will supply from the Roorkee plant in India. We have also received 3 dossiers approval for Sildenafil, Zopiclone and Citaploram in erectile dysfunction, anti-psychotic and anti-depression category respectively. We have made four ANDA filings in US in therapeutic areas of CVS, anti-infective and anti-migraine during the quarter, 3 of which are based on in-house API's. I would like to share that during the quarter, the dosage form plant at Roorkee received approval from ANVISA, Brazil paving the way for further growth opportunities in that region.

In the radio pharma business we have registered strong improvements in YoY performance driven by launches of MAA for lung cancer imaging, MDP for bone scan and sestamibi in newer geographies. We have recently received approval from Atomic Energy Regulatory Board of India for setting up a radiopharmacy in Noida, U.P.

Our Allergenic extracts business is showing promise and we are getting to see results of we have received pipeline of products which will add to the growth in the future.

I will draw your attention to our service business now. Revenues were at Rs. 215 crores in Q2 FY2012 thus giving a good growth of 12% YoY and 5% QoQ. This business has contributed 21% to the revenue. The CMO business delivered revenues of Rs. 154 crores and contributed 15% to the revenue mix. The business is showing growth indicating recovery in market space. We are excited about signing of a multi-year contract with leading US pharma company to manufacture a prominent over-the-counter women's health and personal care product in North America for the same geography. The total value of this take or pay contract is around \$70 million for a period of over four years. The pipeline in CMO is strong and we are expecting a few late stage opportunities to be signed in the second half of FY12.

Coming to the Drug Discovery and Development Services or DDDS business, we had revenues of Rs. 58 crores contributing 6% to the revenue mix driven by integrated drug discovery program and functional services

business. We have recently entered into collaboration with a leading European specialty pharmaceutical company under our integrated drug discovery and discovery model to provide preclinical candidates for developing multiple targets in gastrointestinal diseases for an initial period of three years. In our Clinical Research business full recovery is expected from Q1 FY2013 onwards.

The overall underlying strength of our business has been strong with increasing order book position and capacity utilization in all our business segments. In second half we expect to continue to build on the robust sustainable revenues and margin growth momentum recorded in the first half. In our products business revenue growth would be on account of commissioning of new capacities, innovation-led product launches and geographic expansions. Operating profit growth would be backed by improved capacity utilization and increased vertical integration. In the Service business, focused margin improvement initiatives of the increased capacity utilization, higher margin product mix and innovation-led cost optimization would continue to lead to higher profitability.

With that I would like to invite Mr. Sankaraiah to share his views on the consolidated financial performance of Jubilant Life Sciences.

R. Sankaraiah:

Thank you, Mr. Bhartia. Thank you all for joining on the call today and warm greetings to everyone present. As always I would like to run you through our consolidated financial highlights.

The net sales in Q2 FY2012 were at Rs. 1,048 crores, showing a growth of 22% YoY and 11% QoQ. Life Science product revenues were at Rs. 833 crores and were up by 25% YoY and 13% QoQ. The contribution of the segment to sales was at 79%. This was driven by volume growth and price strength in addition to marginal forex impact. In our Life Sciences service business, the revenues were at Rs. 215 crores, implying an increase of 12% YoY and 5% QoQ. International sales were at Rs. 730 crores and contributed 70% to the net sales. Regulated market accounted for 58% of the net sales. Our EBITDA in Q2 FY2012 stood at Rs. 241 crores and was up by 58% YoY. Margins stood strongly improved to 23% compared to 17.8% in Q2 FY2011. Products business EBITDA margins were at a 26.8%

in Q2 FY2012, increased from 24.2% in Q2 FY2011. In Service business we had an EBITDA margin of 16.7% in the period as against 2.8% Q2 FY2011. Profit after tax was 79 crores, up by 8% YoY. The earnings stood at Rs. 4.98 per equity share of Re. 1 face value. Excluding exceptional items, our recurring Q2 FY2012 net profit margin would have been higher at around Rs.122 crores at 11.6%, respectively.

Moving on to first half year performance, net sales were at Rs.1,992 crores showing a growth of 19% over the same period last year. The Life Sciences products revenues stood at Rs. 1,572 crores, up 22% since H1 FY2011 with the contribution to the sales of 79%. This was driven by both volume growth and pricing strength. Life Sciences service stood at Rs. 420 crores, up 8% vs. last year H1. International sales came in at Rs. 1,383 crores and contributed 69% of the net sales. Of this, the regulated market of North America, Europe and Japan accounted for 56%. H1 FY2012 EBITDA stood at Rs. 431 crores and was 46% higher than the previous half year of last year. Our EBITDA margin were substantially better at 21.7% compared to 17.7% in H1 last year. The products business EBITDA margin came in at 25% in the period, up from 23.6% in H1 last year. The service business we had an EBITDA margin of 17% in H1, an increase of three-fold since last year in the same period. The H1 FY2012 profit after tax at Rs. 156 crores, up by 26% YoY. The EPS stood at Rs. 9.82 per equity share of Re. 1 face value. Exceptional items of Rs. 47 crore in the current profit and loss account statement constitute two major items mainly unrealized mark-to-market loss on account of swapping the Rupee loan into dollar and the unrealized translation loss of a dollar loan based on the closing rate as of the end of the quarter spread over FY2012 as per the Accounting Standards 11, Clause 46. Excluding exceptional item our recurring H1FY2012 net profit was higher by the exceptional item.

Our net debt position as on December 30, 2011, is rupee debt including portion swapped into dollar denominated loan stood at Rs. 1589 crores and foreign currency debt of \$414 million at the quarter end with the cash and cash equivalent of 181 crores. The Rupee debt has gone up by 27 crores and the foreign currency debt has gone up by US\$11 million. After adjusting for the exchange variation in the cash and cash equivalent the overall net

debt is lower by Rs. 19 crores. The net debt equity at 1.44 times as of September 30, 2011.

I would like to share that our average cost of total borrowing stands at 6.1% per annum and is expected to remain at the same level for the full year.

The compensation committee of the board has granted 8,62,461 options to eligible employees and directors of the company and its subsidiaries as per JLL employee stock option scheme 2011. Each option shall entitle the holder to acquire one share of Re 1 each fully paid-up at Rs. 200.05 being the market price as per SEBI guideline. There is no dilution envisaged on account of this grant since JLL Employee Welfare Trust holds adequate number of shares for allotment. Also, it may be noted that the promoter stake has gone up by 1.75% to 48.93% at the end of September 2011.

In conclusion, I would like to state that the revenue growth momentum in rest of the year would be backed by commissioning of new capacities, innovation-led new product launches and expansion in the focused geographies in products business with a sustained higher margin in service business. With that I would request the moderator to open the forum for Q&A please.

Moderator: Ladies and gentlemen we will now begin the Q&A session. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee: Sir, one question on the Generics business. We have seen a strong sequential improvement. So what is really driving that and how sustainable do you think this is going forward?

Shyam S. Bhartia: The Generics business has shown strong improvement both because of increase in market share of existing products plus new product launches. We strongly believe that in H2 we are likely to maintain this growth.

R. Sankaraiah: In addition to that Saion, In the Generics business we started realizing the benefit of our product filing with the cumulative filing over more than 40 in US and 34 in EU and 100 in rest of the world. As of today, we have 20 commercialized products in US and Europe in the Solid Dosage

Formulation. So we expect to continue this growth due to the strong pipeline of products that we propose to launch across multiple geographies coupled with margin expansion in the existing commercialized products also.

Saion Mukherjee: Through the rest of the year in absolute terms do you see numbers in the generic business further growing as you continue launching new products?

R. Sankaraiah: As you know, Generics business we have three parts; one is the dosage formulations, Radiopharmaceuticals and Allergenic Extracts, all put together we expect this business to continue to deliver very good performance going forward also.

Saion Mukherjee: Just one clarification, in the presentation you mentioned about 120% price variants in the generic business. So, I am just wondering how that is computed? Because if you see our understanding is that pricing typically remains under pressure and it keeps coming down. So am I missing something here?

Shyam S. Bhartia: We have a better market share for some of our older and existing products and some of the existing companies went out of the market so we had the opportunity to raise the prices also.

Saion Mukherjee: I see. So do you think this business is sustainable?

Shyam S. Bhartia: Yes it is sustainable.

Moderator: Thank you. The next question is from the line of Sriram Rathi from Anand Rathi. Please go ahead.

Sriram Rathi: My query was basically that the margin expansion which has happened on a sequential basis is mainly on account of the improvement in the gross margin. So raw material cost has gone down from 44% to 41.8%. So this is mainly on account of price increase?

Shyam S. Bhartia: Volume and price increase

Sriram Rathi: This kind of improvement in the gross margin is sustainable for the rest of the year?

- Shyam S. Bhartia:** Yes it is.
- Sriram Rathi:** Are you giving any kind of guidance in terms of EBITDA margin for the full year?
- Shyam S. Bhartia:** We have not given any guidance. We refrain to give guidance but we hope to deliver a good set of numbers for H2 also.
- Sriram Rathi:** What has been the CapEx in the first half?
- R. Sankaraiah:** For the year we will maintain at the same level of about Rs. 500 crores mainly going into Life Sciences Ingredients business for the capacity expansion.
- Sriram Rathi:** Because fixed asset in the balance sheet that you have provided is up by almost Rs. 600 crores as compared to March end?
- R. Sankaraiah:** Yes.
- Sriram Rathi:** So this is like Rs. 600 crores of additional CapEx has gone there or ?
- Nidhi Aggarwal:** CapEx has been about 47% of targeted numbers.
- R. Sankaraiah:** The CapEx is approximately 47% for half year and the rest is increase in working capital for about Rs. 250-300 crores in this working capital and other current assets.
- Moderator:** Thank you. The next question is from the line of Prakash Aggarwal from RBS. Please go ahead.
- Prakash Aggarwal:** Question is more on your Forex hedging, basically what is the number that has benefited us in terms of rupee depreciation on the business? Because I believe we do not hedge too much and the benefits of rupee-dollar has flown into our revenues and hence EBITDA margin?
- R. Sankaraiah:** As of 30th September, 2011, we did not have any exposure which has been covered under Forex. No forward contract has been taken and as of today also there is no forward contract which is existing. So we are likely to get benefit whenever there is a dollar-rupee depreciation at the EBITDA margin.

Prakash Aggarwal: And you would give partial credit to the rupee-dollar depreciation to the EBITDA margin expansion?

R. Sankaraiah: Not for the last quarter because the rupee depreciation has really happened around the second week of September. So if you see the average rate it was Rs. 45.79 for Q2 compared to the previous quarter of almost at a same level. Average rate for the quarter was RS. 45.79.

Shyam S. Bhartia: And if you see the exchange rate YoY basis what was last year?

R. Sankaraiah: That was about Rs. 44.69. There was a difference of about Re 1 only.

Prakash Aggarwal: In terms of your ForEx translation loss, there are two items; one is --?

R. Sankaraiah: One is the mark-to-market loss on account of currency swap and interest rate swap. We have swapped a rupee loan into dollar by doing a currency and interest rate swap. Because of that in the June quarter we had 60 crores profit which we have not booked because as per the accounting standards if there is a gain we should not book, if there is a loss we have to account it first.

Prakash Aggarwal: So this MTM currency and interest rate swap is to the extent of Rs. 14.8 crores?

R. Sankaraiah: Yeah, Rs.16 crores is that.

Prakash Aggarwal: And translation basically --?

R. Sankaraiah: Translation was Rs. 26 crores what we have mentioned. As per accounting standard on the full loans which you translate there is the total loss of Rs. 82 crores which we have to provide 1/3 in each quarter for this quarter, next two quarters if the currency is at Rs. 49.

Prakash Aggarwal: And also in terms of again on debt only, the increase in debt is largely on account of rupee depreciation or --?

R. Sankaraiah: No, if you see the debt in the balance sheet it is only because of rupee depreciation. If you see the dollar-to-dollar there is only \$11 million increase and rupee there is a Rs. 27 crores increase, total Rs. 81 crores increase is

on account of like-to-like comparison if you leave the exchange but the cash balance has gone up by Rs. 100 crores, so net-net there is a Rs. 19 crores deduction in net debt if you compare dollar-to-dollar. The dollar in the same way and rupee in the same level what we have taken. So basically the number what you see in the balance sheet is on account of fluctuation.

Prakash Aggarwal: And last question from my side, last quarter in the conference call we had talked about three large possible contracts, in the proprietary product segment. we announced one to the extent of \$80 million, are we expecting in the second and the third one near-term or these are the composite 80 million put together?

R. Sankaraiah: No, we mentioned three in total, of which we have already announced two; one in CMO we have announced, one in Ingredients we have announced.

Prakash Aggarwal: You mean the women healthcare is also included?

R. Sankaraiah: That is right.

Prakash Aggarwal: \$70 million, and this is another \$80 million, so do we expect another announcement in the near-term?

R. Sankaraiah: The pipeline is very good, very encouraging, things are moving in a very, very good direction. So there are good possibilities. But anyway what we are mentioning is only the big contracts but there are many small contracts on a regular basis we win.

Prakash Aggarwal: And one final follow-up question actually on the price variance. In Life Sciences you had a price variance of 7.2% and Generics you had 120%. Can you explain this in a little clearer fashion? Or maybe you can state that ingredients, what is the price increase that you actually took so that we get more clarity in terms of how our core business is getting strengthened?

R. Sankaraiah: Overall, if you see in Ingredients business we have a more or less a flat volume growth but the increase was mainly on account of price about 7%.

Prakash Aggarwal: So volume we have not seen much improvement?

R. Sankaraiah: Volume was marginal improvement, not a major improvement. There is a reason for that. We did not have the capacities. The new capacity additions are coming in second half year, so you will see a volume growth in Ingredients business in H2.

Prakash Aggarwal: And Generics?

R. Sankaraiah: Generics, there is a like Mr. Bhartia already mentioned, there was a very good opportunity which was available for us in one or two products in Generics business which we were able to capture that very well and going forward, we believe that opportunity will continue even if the other competitors also come in. And also like I mentioned again, Generics business comprised of three businesses; all three businesses are doing very well and we expect this growth momentum to continue in the following quarter.

Prakash Aggarwal: And Mr. Bhartia made comment, actually I missed the starting opening remarks, was it related to the launches of Donepezil, Pantaprazole which led to Generics growth or there was more to it?

R. Sankaraiah: There are existing products also.

Prakash Aggarwal: Do we see similar types of growth?

Shyam S. Bhartia: This year we supplied to Japan in fixed dosage form for Atorvastatin, Lipitor and we are one of the first company to supply to Japan the finished dosage of Atorvastatin including our own API supplies are going there.

Prakash Aggarwal: And do we have more such products like the approval of Donepezil, Pantaprazole in the second half and FY13?

R. Sankaraiah: I had mentioned like already we have cumulative filings of more than 40 in US and 34 dossiers in Europe and 100 in rest of the world. So this strong pipeline is going to continue to yield results and we expect the revenue to flow out of the new launches also.

Prakash Aggarwal: Any big products you would like to mention for second half?

R. Sankaraiah: Product wise let us not get into so much.

Moderator: Thank you. The next question is from the line of Rahul Sharma from Karvy Stock. Please go ahead.

Rahul Sharma: Just wanted to know we have provided for a MAT credit of around Rs. 17 crores. How much MAT credit can we utilize and it will be available for how many years, what will be our effective tax for the current year as well as next year?

R. Sankaraiah: Current year, we will be in the range of about 15-16%.

Rahul Sharma: How much MAT credit you will be availing sir, and what is there on the books?

R. Sankaraiah: Whatever MAT which we pay because the company is under MAT. Whatever the MAT which we pay, we take the 100% credit of MAT because the company is expected to go in for full tax after three years so we will be in a position to use the entire MAT. So we take 100% credit for that provision.

Rahul Sharma: You will be paying your effective tax rate about 15-16%.

R. Sankaraiah: About 15-16%.

Rahul Sharma: And the next year sir?

R. Sankaraiah: Next year let us talk about maybe after sometime.

Rahul Sharma: Sir, just wanted to know our minority interest has been quite high. Could you please explain?

R. Sankaraiah: Another important factor which we have to see is that one of our overseas subsidiaries, which is manufacturing dosage form in US, it is called Jubilant Cadista. Since the number of shareholders have crossed more than 500, as per the SEC requirement we are required to file all the documents on form 10 as per the requirement, So we started doing that from this quarter onwards. In that company since the number of shareholders have gone more than 500 this requirement has come in. So as of today, Jubilant owns 82.4%, the minority shareholder, the doctors from whom we bought the

company, who are more than 500 in number, we hold about 17.6% and the Cadista results were very good. The minority provision in this quarter has become higher. That constitutes about 17.6% of the company's profit.

Rahul Sharma: Is it in US business?

R. Sankaraiah: This is in US business, yes.

Rahul Sharma: In a sense, is it the main Generics business?

R. Sankaraiah: Yeah, Generics business in US, that is right.

Rahul Sharma: Sir, SG&A has come off, that is maintaining at around 8% levels. Any outlook on that, will there be any increase?

Shyam S. Bhartia: SG&A is likely to be on the same order but as sales grow up we will get economies. to SG&A.

R. Sankaraiah: Basically, what was happening is since we are coming with a new product in the subsequent second half the sales and marketing distribution expenses which were a little higher has been already accounted in this quarter. So going forward, accounting the sale of those new products the SG&A will come to the normal level of that 8%.

Rahul Sharma: And sir, another thing was on the foreign currency monetary items translation in different account, what is the balance as of date in that accounts now?

R. Sankaraiah: Balance is Rs. 52 crores. If the Rupee-Dollar continues at Rs. 48.98, the exceptional items charged to profit and loss account in the next two quarters will be about Rs. 52 crores.

Moderator: Thank you. The next question is from the line of Manoj Garg from Edelweiss. Please go ahead.

Manoj Garg: Sir, just want to understand like now since the capacity issue is behind us with regard to Pyridine and Niacinamide, do we expect higher growth in the second half or you feel growth relatively will remain same at 22-23%?

- R. Sankaraiah:** We do not want to give any guidance on the growth rate. This is a set of numbers we have already put in for the first half. The management is very confident that going forward also the growth momentum to continue in a very robust way.
- Manoj Garg:** And sir, second thing that you mentioned in the notes of account, of adopting AS30, we do not hedge our future cash flow or forward covers and all. So how this cash flow hedges of around Rs. 14 crores which has been debited from the account?
- R. Sankaraiah:** This is basically the packing credit what we take as a loan that is against exports. So we can apply hedge accounting AS30 because of which foreign currency translation reserve which has been created, otherwise, we should have the same like the FCMITDA, what we are talking about is Rs. 26 crores, it would have gone there. Since there is a cash flow hedging available for this because it is mainly for the export which is going to come in from October-November-December. So since we have taken at more than Rs. 49 level we have drawn the loan of a Export Packing Credit, the hedge accounting concept has been applied for.
- Manoj Garg:** The third thing I just want to understand like in terms of our capacity utilization at Hollister and Draxis with regards to CMO, what is the kind of capacity which we are running at this point of time, sir?
- R. Sankaraiah:** The CMO capacity is in the range of about 65-70%. We will not be able to tell you exactly, but it is in that range. We have a huge elbow room there.
- Manoj Garg:** So how do we see the ramp-up going forward or the next 3-4 quarters?
- Shyam S. Bhartia:** Our order book is strong and we expect H2 to also show very good growth.
- Moderator:** Thank you. The next question is a follow-up from the line of Saion Mukherjee from Nomura. Please go ahead.
- Saion Mukherjee:** Just one clarification on hedging. You said on the receivable side do you take any balance sheet hedges?

- R. Sankaraiah:** Saion, I had already mentioned, we do not have any ForEx covered exposure as of today other than the Packing Credit what we have taken. So we do not do any forward contract.
- Saion Mukherjee:** The gain on conversion of receivables because of the currency movement, would that have impacted and where exactly in the P&L it would have come in?
- R. Sankaraiah:** That would have gone into the EBITDA.
- Saion Mukherjee:** So how much is the impact of that?
- R. Sankaraiah:** Saion, average rate for the quarter is Rs. 45.79.
- Saion Mukherjee:** No, but the translation of the receivable ?
- R. Sankaraiah:** Including all those things.
- Saion Mukherjee:** So in case if you can give us an idea because rupee has moved quite sharply towards the end of the quarter. So if your average realization say goes at 49, that is what the currency is, how much impact would the EBITDA have? Let us say you have 235-240 crores of EBITDA. How much will that increase, if you give us rough idea?
- R. Sankaraiah:** For every Re. 1 of rupee depreciation, the company will gain approximately 15 crores.
- Shyam S. Bhartia:** Because we have imports also?
- R. Sankaraiah:** It is not that easy to just put the number but still I am giving you a number, there are three components; one is exports, other one is imports, the third one is the translational on account of international subsidiary accounting. All three put together but what will go to the EBITDA for every Re. 1 plus/minus is 15 crores approximately without considering any effect on the loan.
- Saion Mukherjee:** This is an annual impact on an annualized basis, is it?
- R. Sankaraiah:** That is right.

Saion Mukherjee: One final question, sir, the capacities coming in in the Nutrition business facility, etc. in terms of contribution of these facilities of the EBITDA, will it in any way in the initial period impact EBITDA ?

Shyam S. Bhartia: We have like in Nutrition Ingredients in Life Sciences Ingredients business, we just started our facility. In SEZ Commercial supplies have already started to international customers and we expect to ramp-up the capacity so it will be positive for the EBITDA.

Saion Mukherjee: All the cost related to these facilities are already in the accounts, we are already seeing that?

R. Sankaraiah: That is one of the reasons. Somebody else has asked the question why SG&A has gone up, because the cost related to those have already started accounting that is the reason. But when the sale increases for these products even at the lower capacity level, it will be an addition to EBITDA rather than a depletion.

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

Prakash Aggarwal Just on the tax rate you did mention that you are looking at the tax rate of around 15% for the year. But do we take a similar rate for FY'13 as well?

R. Sankaraiah: We have to work out that Prakash.

Shyam S. Bhartia: Approximately it is around 15-16%.

Prakash Aggarwal This quarter because of the translation you had lowered that, I actually missed that part. Why did you have lower tax this quarter?

R. Sankaraiah: We have reorganized some of our subsidiaries in US and Canada To ensure that tax consolidation at US has been taken care. That means some of the subsidiaries which are because of the lower EBITDA even though it is a profitable because we have more than \$200 million debt in US, so that is the interest element and depreciation after that we have some of the companies posting PBT negative, or the company posting PBT positive, because of that we have structured the entire US and other foreign subsidiaries to bring it

under one umbrella so that to consolidate all the tax to ensure that we have a effective tax rate on a very, very lower level because of the fee structuring mainly we will be paying Indian tax. So on a consolidated basis we expect and previously also for somebody else's question that we have mentioned we take 100% MAT credit, the net tax for this year will be in the range of about 15%, whereas next year we have to really work out and see.

Moderator: Thank you. The next question is from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.

Dhiresh Pathak: I have a couple of questions; to the previous question you mentioned that the translation impact of accounts receivable and payable is taken above EBITDA. Can you help me understand in which cost line item would you capture that?

Shyam S. Bhartia: Translation is below EBITDA, in exceptional items.

R. Sankaraiah: The point what you made is perfectly all right, receivable and payable, the translation has been taken above EBITDA, it will go here in the account, and it will go under SG&A because it will go as a foreign currency exchange profit/loss.

Nidhi Aggarwal: Slide No. 9 in the presentation if you notice there is an item which we give as "Exchange loss/gain."

R. Sankaraiah: In accounts it will go but for the benefit of the investors and analysts we have given in Slide No. 9 of the presentation, "Exchange Loss/Gain," it is there separately.

Dhiresh Pathak: And then just help me understand, in exceptional item you said only 1/3 has been recognized on amortization of foreign currency monetary item.

R. Sankaraiah: As per Accounting Standard 11, Clause 46, if you see this clause has been introduced this year and in the previous year last eight quarters we have provided the exchange loss on account of fluctuation was required to be provided over the period of 8 quarters, that was a circular which has been issued, then Clause 46 was introduced in 2009 March. That is for 2010 and 2011. Because thinking that the Ministry of Corporate Affairs thought that the

IFRS are converted and AS will come into effect from about April 2011. Since that has not happened they have extended this for one more year, that is for this year also. So whatever the translational loss which was there, that has been provided for first half and the second half.

Shyam S. Bhartia: This is just a translation loss, whereas in the actual loss of profit whatever is there is accounted for before EBITDA.

Dhiresh Pathak: This is on the foreign currency debt, right?

R. Sankaraiah: That is right.

Shyam S. Bhartia: This is translational but in actual suppose we are paying off any debt or anything actual happens, the actual goes at the EBITDA level.

Dhiresh Pathak: Right, that I understand. You are saying is unrealized mark-to-market.

Shyam S. Bhartia: Correct.

Dhiresh Pathak: Also just help me understand what is the business of Cadista, because we have seen profits there have been meaningful because if you are saying Rs. 9.7 crores of minority interest?

Shyam S. Bhartia: We can discuss this separately. If you see Cadista business is generics business. Since all our US business is through Cadista, so our sale from India and US has gone up. The total Generics business sale has gone up, profitability has gone up there.

Dhiresh Pathak: So that means if you work that backward that would imply almost Rs. 57 crores of profit out of call it Rs.130 crores of PAT adjusted for exceptional items is coming from Cadista that means almost 40% of our profitability is coming from Cadista.

R. Sankaraiah: Generics business is not only Cadista, it includes Roorkee, then also it includes like I again mentioned it is Allergy and also Radiopharmaceutical.

Dhiresh Pathak: No, what I am saying is Rs. 9.7 crores from Cadista, because in the minority interest you are capturing Rs. 9.7 crores –

- R. Sankaraiah:** That is right.
- Dhiresh Pathak:** That is 17% is Rs. 9.7 crores, 100% would mean Rs. 57 crores, and if you adjust for the exceptional item of 42 or 43 crores, your adjusted PAT before minority interest is close to 130 crores. Rs. 57 crores and Rs. 130 crores almost 40%.
- R. Sankaraiah:** I think we can take this question off line.
- Dhiresh Pathak:** And this thing on your presentation of price and volume variance is not clear. I am sorry to say but it is not clear. It seems you are combining both volume and price variance collectively and then calling it 120%? Price variance is 120% and you are saying you had a volume decline of 2%.
- Nidhi Aggarwal:** No, the other balance is on account of FX impact.
- Dhiresh Pathak:** So this 120% is adding both volume and price variance, or is it just price variance?
- Nidhi Aggarwal:** Volume and price both.
- R. Sankaraiah:** Volume variance is 50%, price variance is 70%.
- Moderator:** We will take a couple of more questions. The next question is from the line of Krishna Prasad from JM Financial. Please go ahead.
- Krishna Prasad:** Just one question really. I think earlier in the call you had mentioned about one product where you are seeing competition exit and subsequently you have seen higher price realization. Would it be possible to share the name of that product?
- R. Sankaraiah:** It will not be possible to share the name of the product.
- Shyam S. Bhartia:** For many competitive reasons we do not give that. But there are a some of the products in which we are able to increase our prices for product because we are in a better situation to do that.
- Krishna Prasad:** Are these in the dosage form business?

Shyam S. Bhartia: All, dosage form and radiopharmaceuticals.

Krishna Prasad: That was useful, thanks.

Shyam S. Bhartia: In Radiopharmaceuticals in many of our products we are number one in US. So being a leading provider of **nuclear** medicines, our pricing strength is very strong there.

Moderator: Thank you. That would be the last question. I would now like to hand the conference over to Ms. Nidhi Aggarwal for closing comments.

Nidhi Aggarwal: Thank you all for being on the call with us today. Please do not hesitate to send in follow-up questions and queries. We will be glad to entertain them. You can reach out to Mr. Sankaraiah, Mr. Bhartia or myself and thank you once again and belated Diwali greetings to all.

Shyam S. Bhartia: Thank you.

R. Sankaraiah: Thanks.

Moderator: Thank you. On behalf of Jubilant Life Sciences Limited that concludes this conference.