



BIOCON LIMITED

Analyst / Investor Conference Call 16th October 2008, 3:00 PM IST

Mansi Parekh: Good afternoon everyone and thank you for joining us on Biocon Limited's H1FY2009 results conference call. We have with us on this call from Bangalore Ms. Kiran Mazumdar-Shaw, who is the Chairman and Managing Director of Biocon Limited, and along with her are her colleagues who are a part of the senior management team. Now I would like to invite Ms. Kiran Mazumdar-Shaw to briefly discuss the company's performance for the period ended September 30th 2008 followed by a Q&A session. Over to you Ma'am.

Kiran Mazumdar-Shaw: Thank you Mansi and good afternoon everyone. Welcome to this conference call of Biocon. Q2 FY09, is an important quarter for us, because we are about to complete our 30th year of operations, where on the 29th of November we will be celebrating our 30th anniversary. This quarter has been a very good quarter for Biocon because we do believe that this is a quarter where we have performed across all divisions. This half, as you know we have actually registered revenue line of Rs. 734 crores. This number, of course, includes recent AxiCorp business, but excluding that we have registered Rs. 593 crores with an EBITDA at a consolidated level of Rs.168 crores and a PAT of Rs. 100 crores, which of course excludes the MTM loss of Rs. 60 crores.

Now, let me take you through some of the highlights of this particular quarter and half year. We have seen a very good improvement in terms of our pharmaceutical business, which has shown a 21% growth in our retail health care business registering a 36% growth. As you know, we consider the retail health care business as one of the growth drivers of the future, and this 36% growth for us is a very positive trend. Likewise, Syngene if you recall, had a very dull quarter, where many people expressed concern in the last quarter. But I had indicated to all of you that there would be a strong turnaround this quarter, and we have actually maintained that particular forecast and you can see that on a quarter-on-quarter basis, Syngene also has had its best quarter ever, showing a growth of 21% in terms of sales on a quarter-on-quarter basis and in terms of a year-on-year growth figure, it is about 9% for H1 FY'09. In terms of licensing income, although we have not really registered any significant licensing income, which is only at about Rs.3 crores this quarter, the next half should see a significant increase in licensing income revenues. In terms of our balance sheet, at this time when most companies are financially very, very challenged, I think Biocon is in a very enviable position because we have a very strong balance sheet with a net cash position of Rs. 30 crores and a gross position of Rs. 355 crores. We are extremely optimistic and confident about our future prospects. I think our services businesses are beginning to gain traction. Our pharmaceutical business in all segments is also showing some good growth. Our order books are full. Our research pipeline is making good progress where both our Oral Insulin and our Anti CD6 monoclonal antibody are also making good progress. Oral insulin is entering phase 3 clinical trials. This is a very exciting and a very important phase for us and we do hope that the success of this program will take us into another league.

In terms of the patenting situation, we have filed 11 new patents and we have 892 patents in total, which have been filed with 166 granted patents. We believe that our cash position is strong; we believe that our business prospects are strong. If you one had to exclude the MTM and some of the exchange losses, I think, we would have seen a very, very good profit growth of close to Rs. 63 crores, which would have again indicated 20% growth in bottom line as well. But of course we can't hide under those kind of situations. The reality is that we are all facing a challenging time when all of us have been taken by surprise. We had covered the rupee to protect ourselves from the rupee appreciation at a time when the rupee was at 41.5 rupee per dollar, which has really seen us take this big massive MTM provisions. Having said that we are in the future going to have a policy where we operate within a band with a downside protection and some amount of

upside sharing, and that I think will allow us to address our dollar exposures far more confidently. So this is where I would like to end my brief on this quarter. And I now welcome Q&A session. Thank you.

Moderator: Thank you madam. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

Our first question comes from Mr. Alpesh Bodhiya of Edelweiss Capital.

Alpesh Bodhiya: In the net sales growth of 59% Y-o-Y, can you just breakup into organic and inorganic growth.

Kiran Mazumdar-Shaw: Well, I think I will let one of my colleagues of Finance answer this question, but this as you know includes the AxiCorp increase, which is about Rs.141 crores. That's the inorganic one.

Murali Krishnan: Only the revenue from Axicorp is inorganic and the rest all is organic.

Alpesh Bodhiya: Okay. And second question is raw material cost has gone up about 54% of net sales.

Kiran Mazumdar-Shaw: Yes, this is largely on account of various factors, one is of course higher petroleum prices, which have actually resulted in a very high raw material value, but I think a large part of it is coming from the AxiCorp business, which is really a trading business. So a large part of that is captured in the raw materials cost. So you can't really compare it on a like-for-like basis.

Murali Krishnan: The AxiCorp numbers have been added and consolidated only in this quarter in the current year. The corresponding previous year figures, do not have Axicorp's numbers incorporated in it and hence the same not comparable. So please don't compare the last year H1 with current year H1 numbers.

Alpesh Bodhiya: Other expenses have also increased.

MB Chinappa: In the fact sheet we have given the breakup. There is one column which shows with AxiCorp and one column which shows numbers without AxiCorp. You need to look at the column excluding AxiCorp that would really reflect the right picture.

Alpesh Bodhiya: Okay. So other expenses increase is also on account of AxiCorp.

MB Chinappa: Yes. Other expenses excluding AxiCorp is Rs.527 million, and including AxiCorp is Rs.633 million. The detail is in the fact sheet.

Alpesh Bodhiya: Okay, I got it. The Forex loss of Rs.25 crores...

Kiran Mazumdar-Shaw: That's MTM.

Alpesh Bodhiya: But what's the nature of the contracts.

Kiran Mazumdar-Shaw: They are simple forward contracts, contracted at an average rate of about Rs. 41 to a Dollar.

Murali Krishnan: The Forex exposure is marked-to-market at the end of every quarter. So while we are covered at Rs. 41 whereas the market closed on 30th September at around Rs. 47 levels. So the difference between Rs. 41 and Rs. 47 on some underlying exposure is adding to that Rs. 25 crores.

Alpesh Bodhiya: But what is the nature of the forward contracts what is the purpose?

MB Chinappa: At the beginning of the year we sold one year forward sales, at Rs. 41. Every month or every quarter we do a mark-to-market provisioning for the potential losses of the contract.

Murali Krishnan: The nature of the forward contract is to cover the export receivables.

Alpesh Bodhiya: In dollar?

Murali Krishnan: Yes, in dollars.

Alpesh Bodhiya: How much is it in dollar?

Murali Krishnan: About approximately USD 150 million.

Alpesh Bodhiya: If you see the segment-wise, the PBIT margins have come down very sharply for both contract research and biopharmaceuticals.

Kiran Mazumdar-Shaw: Again, you have to look at it in terms of AxiCorp. Please try and segregate the two numbers.

Moderator: Our next question comes from Ms. Monica Joshi of Avendus Capital.

Monica Joshi: Hi, thank you for taking my questions. One is related actually to your balance sheet. Is there anything that we should look at, because this huge increase in inventories and sundry debtors that we have seen almost doubling, so is there something that we should be looking at over here?

MB Chinappa: Monica, again we relate the consolidation of AxiCorp. But saying that, Biocon standalone business excluding AxiCorp has seen about Rs. 20 crores increase in both inventory and debtors.

Monica Joshi: Actually what's the working capital cycle-wise, for example, number of days that you are seeing, for Biocon without AxiCorp?

Murali Krishnan: Yes, in terms of debtors it's about 90 - 100 days, in terms of creditors also its about 100 days and in terms of inventory its about two months.

Monica Joshi: And how would this number be for AxiCorp as a separate entity?

MB Chinappa: The debtors are less than 20 days, the stock is just above one month.

Monica Joshi: Okay, then it still actually doesn't answer why you have that increase, or has the situation in Biocon actually, you have seen it rising from 100 days to 120 or something...

Kiran Mazumdar-Shaw: Remember we have added Rs.141 crores of AxiCorp sales.

MB Chinappa: There has been an increase, but it's an increase of a few days. It is not a 20 days increase.

Monica Joshi: There is also an alarming situation as such that means.

MB Chinappa: No, there is nothing alarming.

Monica Joshi: Okay, great. Thanks.

Moderator: Our next question comes from Mr. Bino Pathiparampil of India Infoline

Bino Pathiparampil: Hello, congrats for the good set of numbers.

Kiran Mazumdar-Shaw: Thank you. We need some good messages in this gloomy time.

Bino Pathiparampil: Sure. I think my first cut analysis shows that the Indian business has improved significantly this quarter with significant growth coming in both Biopharma and contract research. So what I am really interested first is what part of the biopharmaceutical business has contributed to that growth in this quarter?

Rakesh Bazmai: In biopharmaceuticals, we have grown across all the divisions, but two major components, insulin sales across the globe and our branded formulation sales. We also had initial orders for few products, which are entering into the market in 2009, - products like Mycophenolate Mofetil where the patent is expiring on the 3rd of May 2009 and Biocon has a good position for the US market.

Bino Pathiparampil: So, in this insulin space, do you think this kind of growth will continue?

Rakesh Bazmai: Yes

Bino Pathiparampil: Okay. Sir, on the contract research side, what happened to your strategy. Last quarter you explained that you will stand by your strategy of not taking up some low margin contracts? So can I understand that you have got new high margin contracts?

Goutam Das: Yes, we did. We definitely increased the revenues from big pharma companies in last quarter.

Bino Pathiparampil: Okay, right. And I think last quarter you had announced rough guidance of 25% year over year growth in contract research for the full year. Does that stand true?

Kiran Mazumdar-Shaw: I think you are already beginning to see that trend.

Bino Pathiparampil: Okay, right. So that part is all fine. But I am little worried about the German part. From your numbers what I get is that your revenue are of about Rs.140 crores, the EBITDA is like less than a crore, am I correct?

Kiran Mazumdar-Shaw: Rs.3 crores is PAT and EBITDA is I think about Rs. 5 crores. But you must understand that this is a trading business, so we never expected huge margins. If you look at it at a consolidated level, it will always get impacted. But I think the main reason for acquiring AxiCorp was really to front end our biosimilar insulin business, and that will become a much better margin business, but you have to wait about three years for that. So we do realize that in the interim we will have to be content with low margins for the AxiCorp business.

Bino Pathiparampil: So, how is AxiCorp placed in the ongoing turmoil in the German market? Is that going to affect AxiCorp?

Kiran Mazumdar-Shaw: Well, AxiCorp has got very interesting business. One part of it is a PI business, which is of course not impacted by the German generic turmoil, and the generic business at this point is very, very insignificant for AxiCorp. But hopefully, Biocon will be able to make this into an interesting business going forward, and I think the next year will basically let us know what the whole tendering business is all about.

Bino Pathiparampil: Okay, right. Thank you very much.

Moderator: Our next question comes from Ms. Bhavita Nagrani of MP Advisors.

Bhavita Nagrani: Good afternoon. Yes, my first question is on pharmaceuticals growth. If we are adjusting pharmaceuticals growth in sales, it is foreign currency in AxiCorp, so how much growth can we see in this segment?

Kiran Mazumdar-Shaw: We are saying that this pharmaceuticals segment has grown 21%. With the retail healthcare business having grown at 36% this quarter.

Bhavita Nagrani: Okay, so, but this must be including the foreign currency impact as well.

Kiran Mazumdar-Shaw: Yes, the foreign currency impact of course is captured in the revenue.

Bhavita Nagrani: So if we are removing it, how much growth do we see in this segment?

Kiran Mazumdar-Shaw: The impact of foreign currency in the pharmaceuticals is about maybe 5%.

Bhavita Nagrani: So, I should remove 5%

Kiran Mazumdar-Shaw: 15% growth excluding foreign currency.

Bhavita Nagrani: We can see 15% growth.

Kiran Mazumdar-Shaw: 15% - 16% growth, yes.

Bhavita Nagrani: Okay, and any update on Tacrolimus contract as during the last quarter you had mentioned you were expecting some contracts from five customers.

Rakesh Bazmai: There has been a seven-year orphan drug exclusivity in the United States for Tacrolimus. And this came at the last minute. So while a lot of partners of Biocon are looking at challenging this particular exclusivity, as of now the product cannot be sold in the market because of this exclusivity.

Bhavita Nagrani: Okay, so finished product cannot be, for now you are having no such supply contracts.

Rakesh Bazmai: We have supply contracts but we cannot supply because of this exclusivity, which has been granted for seven years. Because of a new application for organ rejection in the patient receiving allogeneic heart transplants.

Bhavita Nagrani: Okay. So for seven years there is no supply, right?

Rakesh Bazmai: Seven years in the US. But it is getting challenged.

Kiran Mazumdar-Shaw: But in other markets it is okay.

Rakesh Bazmai: We are making good quantity of Tacrolimus; we have customers and you can see, in future good business from Tacrolimus in our P&L.

Bhavita Nagrani: Okay, so from other countries you still have the opportunity, but in US, not at this point of time. And my next question is when can we expect BMS contract to begin its contribution?

Kiran Mazumdar-Shaw: It's already started. We have already seen some of it in the Syngene quarter this time.

Bhavita Nagrani: Okay and how much is Syngene sales during this quarter?

Murali Krishnan: Rs.49 crores.

Bhavita Nagrani: And what are the margins for the Syngene business?

Kiran Mazumdar-Shaw: About 30%.

Bhavita Nagrani: Okay, and any color on statins prices during this quarter?

Rakesh Bazmai: Statin prices are quite stable.

Bhavita Nagrani: Okay. So during this quarter whatever is the growth, it is due to the volume?

Rakesh Bazmai: Yes.

Bhavita Nagrani: Okay, thank you.

Moderator: Our next question comes from Mr. Nitin Agarwal of IDFC - SSKI Securities.

Nitin Agarwal: Hi, good evening everyone and congratulations on a good set of numbers. I had a couple of issues on financial numbers, Murali, the way we have reported numbers, the H1 EBITDA is Rs.168 crores. And the number that we had given in the Q1FY09 fact sheet, we had a Rs. 71 crores EBITDA. So there that gives us an EBITDA of over Rs. 97 crores for the current quarter.

MB Chinappa: Nitin, the Rs. 71 crores that was reported as Q1FY09 EBITDA, has been regrouped and Rs. 9 crores of forex losses has been reduced from other expenses and added to extraordinary item. Therefore the EBITDA actually increased by Rs. 9 crores to Rs. 80 crores. The MTM losses have increased by Rs. 9 crores correspondingly. Therefore, if one goes back to the earlier Q1FY09 numbers, you would not arrive at the right break up of Q2FY09.

Nitin Agarwal: Yes, is that the EBITDA for the current quarter, it is going to be lower by Rs.9 crores really speaking

MB Chinappa: In Q1FY09, EBITDA should read as Rs. 80 crores and the MTM should read as Rs. 34 crores.

Nitin Agarwal: I got the point.

MB Chinappa: Now we will go to Q2FY09. We have an EBITDA, excluding AxiCorp of Rs. 163 crores, so Rs.163 crores minus Rs. 80 crores, is Rs. 83 crores is the current quarter EBITDA.

Nitin Agarwal: And including AxiCorp.

MB Chinappa: Including AxiCorp will be another Rs. 5 crores

Nitin Agarwal: So Rs.168 minus Rs. 80 crores.

MB Chinappa: Yes.

Nitin Agarwal: Which is including Rs.15 crores of other income?

MB Chinappa: Yes, this includes other income.

Nitin Agarwal: So it is Rs. 73 crores for the current quarter, excluding other income.

MB Chinappa: Yes, we actually don't remove R&D expenses and other income while computing EBITDA.

Nitin Agarwal: Yes, fair enough. I got the point. Okay, and secondly in the cash balances, we have talked about Rs.350 gross cash. Where is the cash which is already there in the balance sheet?

Murali Krishnan: It is all in liquid investments.

Nitin Agarwal: About Rs. 320 odd crores.

Murali Krishnan: Yes, about Rs. 355 crores, all in liquid investments / funds.

Nitin Agarwal: Okay thanks.

Moderator: Our next question comes from Mr. Jesal Shah of JM Financial Institutional Securities.

Jesal Shah: Yes hi. My question was on AxiCorp. If you can just tell us, how this is getting consolidated on the balance sheet side.

MB Chinappa: We consolidate all the assets and liabilities, since we own only 71%, so the balance 29% gets reflected as minority interest.

Jesal Shah: Right, okay. And what was the kind of net block and net working capital of AxiCorp on a standalone basis?

Murali Krishnan: It is about Euro 6 million net current assets.

Jesal Shah: And net block?

Murali Krishnan: Net block will be very insignificant. I don't have the right numbers right now, but it is a very insignificant number.

Jesal Shah: And I guess you have paid up about Euro 30 million for it.

Murali Krishnan: In the payment of Euro 30 million, cash payout is Euro 16 million, and Euro14 million is the value of the licenses that we granted to them, towards rights given for marketing insulin and glargine.

Jesal Shah: Okay and so how have you accounted for his Euro 14 million, if at all?

MB Chinappa: We have not accounted any income on the Euro14 million yet. This will only get reflected as and when the milestones are achieved/completed. Then AxiCorp will start recognizing the expense and at the same time Biocon will start recognizing the income. But of course 70% will be inter-company and only 30% will really get reflected.

Jesal Shah: Okay and the Euro16 million should reflect as reduction in cash balances, or increase in your loan positions.

Kiran Mazumdar-Shaw: No, it is reduction in cash balance.

Jesal Shah: Okay, so is there any kind of goodwill that got created in this?

Murali Krishnan: Yes.

Jesal Shah: Sorry, how much was that amount?

MB Chinappa: The increase in intangible assets reflects the goodwill.

Jesal Shah: I see, okay and the other question was on the capital expenditure that you have incurred in the first half, I think it comes to something like Rs. 2.6 billion; can you just share with us where you have added capacities and what's your plan for the full year?

MB Chinappa: Largely it is Syngene expansion.

Jesal Shah: Okay and how much would that be?

Murali Krishnan: Totally when it gets completed it will be about Rs. 250 crores for all the projects in Syngene.

Jesal Shah: And how much has been spent on this already?

Murali Krishnan: About 70% - 80% has been spent, and the rest also will get spent by the end of this fiscal. The project will get completed by end of this quarter and the cash out flow, will happen before the end of this fiscal.

Jesal Shah: Right and is there any other significant CAPEX?

Murali Krishnan: No big ones, except the ones which we already mentioned, which is the Biocon R&D center, which is about Rs. 70 crores spend over the next 18 to 24 months.

Jesal Shah: Right, okay and that's it, no further CAPEX?

Murali Krishnan: Yes, no other major capex envisaged as of now.

Jesal Shah: Okay, the third question, if you can just give, sometimes you give breakup, generally to indicate your Insulin and Immunosuppressant, how much they contribute to sales, and I think in the past it is, say 25%.

Murali Krishnan: They are all around the same level, in percentages its all around the same levels. About one third is Statins, about 20% Insulin and Immunosuppressant, about 20% is services; the rest is the domestic API and the formulation business.

Jesal Shah: Right, so the retail healthcare business, which you talked about going at 36%, where would that be classified in this?

Murali Krishnan: In the last one.

Jesal Shah: Okay and lastly on the insulin registrations, can you just share with us what progress has been made on that?

Rakesh Bamzai: Yes, we have registration in more than 25 countries now and Europe and United States is progressing well. We have done lot of work in EMEA as well as our partners and worked with USFDA. We are expecting an approval in the year between 2011 and 2012.

Jesal Shah: In US or in Europe?

Rakesh Bamzai: Both. It depends a lot on the regulators, how they are going to take our data once it comes out of the clinic. We can right now estimate the times, but there is a technicality involved in finally getting in marketing authorizations.

Jesal Shah: Right and your involvement here will be more at the bulk level or would it also involve formulation?

Rakesh Bamzai: We have a formulation plant based in Bangalore. We will do formulation out of this site and export it to Europe and to the United States. Right now we are exporting in many countries out of this plant.

Jesal Shah: Right and when you said you have the 25 countries registrations, does that mean the registrations for formulations?

Rakesh Bamzai: Yes.

Jesal Shah: And these are all approved registrations or filed?

Rakesh Bamzai: Approved

Jesal Shah: Approved and how many have been filed overall?

Rakesh Bamzai: Filed, around 50.

Jesal Shah: Okay, thank you so much.

Moderator: Our next question comes from Mr. Prashant Nair of Citigroup Global Markets.

Prashant Nair: Yes, I just wanted to understand what the overall markets for Tacrolimus is, now that US seems out of question for some time, what would be the split between US, Europe and the rest of the world as far as your opportunity is concerned?

Rakesh Bamzai: In immunosuppressants, Biocon is very strong. We have Tacrolimus, Sirolimus, Mycophenolate Mofetil and Mycophenolate Sodium. All these put together will be a big part of our strategy going forward. We will have products like Mycophenolate Mofetil in the US very shortly, because the patent is expiring on 9th of May 2009. Tacrolimus will be again a big opportunity as we are expecting our partners to challenge the exclusivity. For competitive reasons I can't give you all marketing plans, but we expect significant sales in this year and next year.

Prashant Nair: Alright and will supplies to non-US markets start in this year or will they take more time?

Rakesh Bamzai: We are selling in these markets, but we have couple of closures going on with companies where we feel that huge upside will come after two years.

Prashant Nair: Alright okay, thanks.

Moderator: Our next question comes from Mr. Mithun Aswath of Kotak Portfolio Management.

Mithun Aswath: Yes, my question was regarding Syngene, what would Syngene Q2 FY09 numbers be, in terms of revenues?

Kiran Mazumdar-Shaw: Rs.49 crores.

Mithun Aswath: And that is what vis-à-vis last year?

Kiran Mazumdar-Shaw: Last year this quarter Rs. 40 crores.

Mithun Aswath: Okay and what about the margins also YOY?

MB Chinappa: EBITDA margins are about 30%. Okay as a margin to sales it has come off a bit. Last year we did Rs.15 crores of EBITDA on Rs.40 crores of turnover, which is actually 37.5%. This year we have done Rs.16 crores on Rs.49 crores.

Mithun Aswath: Yes, but in your segmental results it shows that you have done Rs.10 crores on Rs. 55 crores, on contract research.

MB Chinappa: One more clarification. In my analysis I have taken out all the exchange FOREX losses to get the comparative figure.

Mithun Aswath: So, the comparative figure is?

MB Chinappa: In the case of Syngene it is Rs.16 crores of EBITDA on Rs. 49 crores of turnover and last year it was Rs.15 crores on Rs. 40 crores of turnover.

Mithun Aswath: Okay, my other question was, when will this MTM losses end, because you said it is USD 150 million cover?

Kiran Mazumdar-Shaw: April.

Mithun Aswath: Okay, so for the full year revenues are impacted, right?

Kiran Mazumdar-Shaw: Yes.

Mithun Aswath: Okay, so this Rs. 25 crores run rate will continue if the rupee stays at this rate, right?

Kiran Mazumdar-Shaw: Yes, that's true, because it's anyone's guess what the rupee will be in March-April.

Mithun Aswath: Would you not want to, you can't break the contract earlier?

MB Chinappa: Then we will have to pay out today in cash Rs. 60 crores at least.

Mithun Aswath: How much would you have to pay out?

Murali Krishnan: Rs.60 crores. Today it is close to Rs. 49 crores and therefore the payment could be even more.

Mithun Aswath: So, we will have to live with this for the next two quarters?

Murali Krishnan: Yes.

Kiran Mazumdar-Shaw: We did actually break one part of it last quarter, and taken the hit. But unfortunately we are stuck with a large part of it.

Mithun Aswath: Okay, thanks.

Moderator: Our next question comes from Mr. Krishna Kumar of Capital Market.

Krishna Kumar: Hello, congrats for a good set of numbers. Can you give the breakup of other income?

Murali Krishnan: Other income is largely of dividend income on our liquid investments. In addition we have lease rentals and charges for services rendered to Novozymes.

Krishna Kumar: Okay, sir, if I correctly remember, last conference call, like madam was telling that if rupee further depreciates one rupee, we will incur a loss of Rs. 8 crores, at that moment it is rupee is 43, now it is 47, so it is four rupees, so the loss should be like Rs. 32 crores, right?

MB Chinappa: Yes.

Krishna Kumar: Now we booked like Rs. 25 crores.

Kiran Mazumdar-Shaw: In other expenses we have also reflected some of the forex losses.

Murali Krishnan: And also we have unwound a small component.

Krishna Kumar: Okay, like what would be the CAPEX for FY10 be sir?

Murali Krishnan: At this point of time we don't envisage anything significantly higher than the normal maintenance CAPEX, which is in the ballpark figure of about Rs.100 crores.

Krishna Kumar: For this year sir, FY09?

Murali Krishnan: Between FY08 and 09 it will be about Rs.250 crores for Syngene, and Biocon will be in the region of Rs.100 crores.

Krishna Kumar: Okay, thank you sir.

Moderator: Our next question comes from Mr. Bhavin Shah of Dolat Capital.

Bhavin Shah: Congrats ma'am.

Kiran Mazumdar-Shaw: Thank you.

Bhavin Shah: Can I get an update on BIOMAb and the launch of Abraxane?

Raeksh Bamzai: On BIOMAb we are month by month increasing our number of patient exposures and we have been able to get a couple of more countries from our partners for this product. We also got an approval in Sri Lanka for BIOMAb. We will be marketing it in a couple of more countries in the next six months time. Abraxane is another product, which we have launched two months back and the news is that this is one of the most successful launches for metastatic breast cancer. It is very widely accepted because of lot of advantages of Abraxane over the conventional treatments on metastatic breast cancer. We had a very successful launch in India and successful launch in GCC countries in Abu Dhabi recently. We aim to make Abraxane and BIOMAb a very big brand. Biocon is also focusing on building INSUGEN in the Diabetology segment and ERYPRO in the Nephrology segment. NUFIL, a granulocytes-colony stimulating factor, which we have just launched, is also getting excellent response from the market because of quality and new delivery device that we have launched for NUFIL.

Bhavin Shah: And what is the development happening in oral insulin, which was to get into phase 3, if you could give us some highlight?

Harish Iyer : Sure, this oral insulin as you know, just completed phase 2 and we presented that data in the EASD conference in Rome and based on lot of feedback, we are going to apply for phase 3 very soon and we expect the phase 3 to start in type 2 diabetics in January of next year. The first patient we expect to be recruited in January of next year. The studies including the recruitment and treatment period, then observation, maintenance period will go on and we expect final reports to be available towards the end of next year. So, it will be a long-term study to understand the impact of oral insulin on diabetes.

Bhavin Shah: And meanwhile till January '09 will there be any document published on this particular molecule?

Harish Iyer: We are not planning to publish too much of the data. Right now we will be presenting primarily at conferences. We are looking at the possibility of publishing the earlier phase clinical trial data, but we are still working on that.

Bhavin Shah: Okay, this is more so to do with any opportunities that potential people might be looking for licensing this molecule?

Harish Iyer: I think that we have decided internally that we would like to wait till we get longer-term data because the value will be significantly higher at that point in time, so we will be waiting for the long-term data to come out. We will start seeing trends, I think if the drug is really effective we will get feedback from lot of the physicians early in the next trial.

Bhavin Shah: And T1H and the other molecule is going on pretty steady as phase 2, I believe?

Harish Iyer: Yes, the T1H molecule has done remarkably well, I think in fact Kiran showed some of the photographs at the last Annual General Body meeting and in today's press conference where the improvement on psoriasis is very visible. You can see significant improvement in the PASI score, which is a method of measuring the severity of psoriasis in patients. We are also seeing significant improvements in tender joint counts and swollen joint counts in rheumatoid arthritis and again we are getting feedback from physicians saying this is a very, very promising drug and we think that this is good news for us and we can move forward with this.

Bhavin Shah: Yes, sir, congrats. I just wanted again some idea from Ma'am about licensing income; would this be particularly from insulin and glargine going forward that we had spoken about earlier and whether it would equate to what we had reported last year?

Kiran Mazumdar-Shaw: Well, what we are really looking at is, to look at our whole Bio-similar portfolio and see how we can leverage that in terms of licensing opportunities, so you will see some significant growth in the next half. Having said that, with all licensing deals if not in one quarter it happens in the next quarter, because we have to make sure that the agreements are absolutely what you want, but we do expect there to be a significant improvement in licensing income in the next half.

Bhavin Shah: Okay ma'am, wish you all the very best, thank you so much.

Moderator: Our first follow-up question comes from Ms. Monica Joshi of Avendus Capital.

Monica Joshi: Yes hi, thank you. Just one clarification, we are under the impression that all our insulin export as of now are crystal, so I just want to clarify this?

Rakesh Bazmai: Yes, large part of our export sales currently comes from crystal. However, since we have already registered our branded INSUGEN formulation in about 25 countries and going forward we will have our formulated product selling in most of the countries.

Monica Joshi: Sure, but as of now are we selling any brands?

Rakesh Bazmai: We are selling in small quantities.

Monica Joshi: Okay and roughly what percentage of the insulin exports would INSUGEN actually account for?

Rakesh Bazmai: It is right now close to 10% to 15%.

Monica Joshi: Okay, still it is quite marginal right now.

Rakesh Bazmai: Right now, yes.

Monica Joshi: Okay, so this 25 countries and the filing for 50 that refers to INSUGEN and can you give us corresponding numbers for the bulk crystal?

Rakesh Bazmai: We can't break it up again because of confidentiality.

Monica Joshi: Okay, no problem. Just kind of working on the numbers, just one clarification is the licensing income in your segment wise breakup, is that included in contract research?

Murali Krishnan: No, it is included in the Biopharmaceuticals.

Monica Joshi: Okay, can you just also give numbers of Clinigene?

Kiran Mazumdar-Shaw: Total H-1 FY 09 revenue is about Rs. 14 crores of which Rs. 9 crores is external and the rest from Biocon group.

Monica Joshi: Okay, thank you so much.

Moderator: Our next follow-up question comes from Mr. Nitin Agarwal of IDFC - SSKI Securities.

Nitin Agarwal: Hello, can you please repeat the Syngene profitability numbers that you talked about, EBITDA numbers?

MB Chinappa: It is excluding FOREX losses Rs.16 crores for this quarter that is Q2 FY09. It was Rs.15 crores for Q2 FY08 and in Q1 FY09, I think we were down to nearly Rs. 9 crores, I don't have the exact number.

Nitin Agarwal: And what were the revenues in Q2 FY08?

MB Chinappa: Rs. 40 crores.

Nitin Agarwal: So, the margins have actually come down this quarter?

MB Chinappa: Margins have come down and that is largely because of the large increase in the employee cost. Material cost as a percentage of sales is coming down. Power cost is also coming down. Employee cost however has gone up significantly. Employee costs have increased from Rs. 9 to Rs.13 crores.

Nitin Agarwal: Okay and this obviously does not include the FOREX losses?

MB Chinappa: This doesn't include the FOREX losses.

Nitin Agarwal: And can you talk on the FOREX losses. In the fact sheet we maintain Rs. 9.6 crores of FOREX losses for the first half, so what would be the losses for the current quarter?

MB Chinappa: After reclassification, last quarter shows a Rs. 5 crores gain and this quarter reflect a Rs.14 crores loss.

Nitin Agarwal: So, Rs.14 crores of loss this quarter.

MB Chinappa: We will go through this whole detail later if you want.

Nitin Agarwal: Fair enough, so Rs.14 crores of loss for the current quarter?

MB Chinappa: Yes.

Nitin Agarwal: Okay fine, thank you.

Moderator: Our next question comes from Dr. Shoshana Shendelman of Bridge Scientific Consulting.

Shoshana Shendelman: Hi, thank you for taking my call. My question is mostly surrounding the EMEA registrations and there seems to be some uncertainty there as to what exactly the requirement would be for clinical trials and when and how that will affect the timing of expected revenues in the EU. Can you provide some further cover on that and how that works at the INSUGEN revenues in the EU?

Rakesh Bazmai: The clinical trials for EMEA, okay let me tell you, we had a meeting with EMEA in 2008 after that we submitted IMPD in September 2008. The phase 3 clinical studies will commence after we receive the regulatory approvals, which we expect to receive in about three months and based on the time line that our consultants and our core team driving this project within Biocon, expect a marketing authorization in Europe in the late 2011 or early 2012.

Shoshana Shendelman: Thank you.

Moderator: Our next question comes from Mr. Sameer Baisiwala of Morgan Stanley India.

Sameer Baisiwala: Hi, good evening everyone. Just one quick clarification, I think last time on the call, it was that the oral insulin was expected to enter phase 2B by December this year, now it looks like it is phase 3 by January next year, so where is the disconnect, are we not doing phase 2B altogether?

Kiran Mazumdar-Shaw: Well, basically some of the PKPD data that we have got from phase 2A studies, we intend to seek regulatory approval from the authorities to commence Phase 3 trials. Harish would speak, further on this subject.

Harish Iyer: Yes, I think that I would like to add one more point here that there might be other phase 2 studies you will do in parallel, it does not mean that you will not be doing additional phase 2 or phase 3 studies. I think one point to keep in mind is that this is insulin, so some of the questions around the molecule are fairly straight forward; it's not like small molecule in some novel target. It is quite well understood, so we feel we can go to phase 3 much more quickly, because really the PK linearity, those response that we want to understand before moving into phase 3.

Kiran Mazumdar-Shaw: And also we have had a clinical advisory board, who also advised us that you could go into phase 3.

Sameer Baisiwala: Okay and just to understand the global opportunity, if one has to think of launching it at some point in time later in the western markets, then what kind of a clinical work needs to be done in those markets versus what we would have already done in India. Would you be doing from phase 1 altogether?

Harish Iyer: No. The advice that we got in from many of our consultants is that, if we do the trials as per ICH and FDA requirements, which we are intending to do, there should be no problem in accepting a lot of this data outside India. So, we will have to do additional studies, but we will not necessarily start from phase 1, we will probably go, my expectation right now is we will either go to phase 2 or phase 3 directly.

Sameer Baisiwala: So, which would mean a year or two years of clinical work in US and Europe?

Harish Iyer: Yes.

Sameer Baisiwala: Okay, thanks. That's all from my side.

Moderator: Our next follow-up question comes from Ms. Bhavita Nagrani of MP Advisors.

Bhavita Nagrani: Hello, I would like to know what are the revenues from BMS out of the total Syngene?

Kiran Mazumdar-Shaw: Confidential, we can't disclose that.

Bhavita Nagrani: Okay and what percentage of sales is contributed by retail sales?

Kiran Mazumdar-Shaw: About 10%.

Bhavita Nagrani: Okay, thank you.

Moderator: Our next follow-up question comes from Mr. Krishna Kumar of Capital Market.

Krishna Kumar: Hello, thanks for taking my question regarding tax rate, what run rate we can assume for the year?

MB Chinappa: It should be around 7% - 8%.

Krishna Kumar: Any guidance for this year?

Rakesh Bazmai: No, Biocon does give guidance.

Krishna Kumar: Okay, that's all. Thank you.

Moderator: Our next follow-up question comes from Mr. Jesal Shah of JM Financial Institutional Securities

Jesal Shah: Yes, just a follow-up on the European clinical studies since you seem to be in a fairly advanced stages of insulin, some clinical studies for European insulin, just wanted to understand, what would be the kind of your R&D budget spend for next year for this project and also given that there are multiple forms of insulin, what is your strategy going to be?

Kiran Mazumdar-Shaw: Well, I don't think we can share specifically what our R&D spend is going to be for this program. What was your second question?

Jesal Shah: Second question was that there are so many different forms of insulin, so what percentage of insulin market in Europe and US do you think you will be able to address with your current formulations?

Kiran Mazumdar-Shaw: We have all the three formulations, so we will look at introducing all these three formulations in the European market.

Rakesh Bamzai: And we are addressing a market opportunity of USD 2 billion, US and Europe included.

Jesal Shah: And what is the total market in US and Europe?

Rakesh Bamzai: USD 2 billion.

Jesal Shah: You will be addressing 100% of that market?

Rakesh Bamzai: No, we can't take 100% market, nobody can. Market potential or opportunity or market available is USD 2 billion, out of that how much Biocon wants to take will depend on lots of things.

Jesal Shah: Right, but the formulation and the bulk that you have can potentially participate in the entire USD 2 billion market?

Rakesh Bamzai: Participate in what sense. We will be addressing that market. Yes, we have all the formulations, for this USD 2 billion opportunity.

Jesal Shah: Right and what is the patent situation with respect to the newer forms, when are they expiring in Europe?

Kiran Mazumdar-Shaw: 2014 onwards.

Rakesh Bamzai: The first one is 2014, then there are many after that.

Jesal Shah: I see, okay, thank you.

Moderator: There are no further questions. Now I hand over the floor to Ms. Kiran Mazumdar-Shaw, Chairman and Managing Director of Biocon Limited for closing comments.

Kiran Mazumdar-Shaw: Thank you very much. I am grateful to all of you for participating in this conference call and if there are any clarifications you want, you can do so off line with either Murali or Chinappa and any of my colleagues who will be only too pleased to clarify the same. Thank you so much and happy Diwali.