BIOCON LIMITED

Analyst / Investor Conference Call
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Mansi Parekh: Good afternoon everyone and thank you all for joining us on Biocon Limited's nine month FY2008 results conference call. We have with us on this call from Bangalore Ms. Kiran Mazumdar Shaw, Chairman and Managing Director of the company, and also her colleagues who are a part of the senior management team. We will begin the call with opening remarks from the Biocon management, followed by a Q&A session with all. Now I would like to invite Ms. Kiran Mazumdar Shaw to briefly discuss the company's performance for the nine month period ended December 2007. Over to you.

Kiran Mazumdar Shaw: Thank you Mansi. Good afternoon everyone. Let me start by wishing you all a very happy New Year. I would like to now start with comments of this nine month's performance for Biocon and its subsidiaries. The nine months performance has registered on a comparable basis, excluding enzymes, a 21% growth in consolidated revenues. The consolidated operating profits or EBITDA, this has increased by 20% on a year-on-year comparison for the nine month period. and PAT has increased 15% during the same period. If you look at he quarterly performance, you can see these numbers have remained more or less flat across the three quarters. But again, this has to be seen in context with the fact that we have divested our enzymes business and therefore we believe that we have actually demonstrated a very satisfactory performance for the nine month period. The third quarter also shows a small dip in revenues largely because of the fact that we have not had licensing income of the same magnitude as in the first two quarters, but as you will appreciate, licensing income is very lumpy, and cannot always be generated every quarter.

The other aspect that we have of course now taken measures to address is the dollar depreciation, which has really impacted largely our services business. We have now taken very proactive and pragmatic measures to renegotiate a number of contracts which will only start delivering the results in the future quarters and allow us to address the margin pressures that we have been witnessing in the last few quarters. I guess the more significant development, which we have shared with you is the fact that we have decided to list Syngene. The reasons for this multiple, one is the fact that we believe that Syngene is a company, which has reached critical , coupled with the fact that we have also got a very large contract by way of the BMS deal. The global pharma sector as such is really under a lot of pressure to reduce its cost and we believe that the research services business is going to be a very important opportunity for the Biocon Group. We believe that this really is the right time to really look at a listing for Syngene. From a regulatory point of view, we will list Syngene in the Indian Stock Exchanges to begin with, and we will look at an international listing thereafter, of course, we will look at this very judiciously because we certainly don't want to have a US listing at a time when US is going to face recession. So Indian Stock Exchange I think is a right place for us to list Syngene for the moment, but certainly we will look at international listings in the future.

The other aspect of this is also from a point of view that we have seen recent companies like Wuxi and others being listed on the Stock Exchange. ,We believe that India needs a company of the size of Syngene, to really look at the investor interest that has been generated in Wuxi's IPO, and we believe it is a company like Syngene therefore that will also generate and evince the same kind of interest that we have seen in that listing. Syngene in fact is a much more profitable research services company than Wuxi and I think if you look at the kind of India story that we have, the kind of growth trajectory that Syngene is poised to have, and the fact that we are also investing in expanding the number of services of Syngene, which will include the kind of kilo lab

and other facilities and animal pharmacology. I think this will also expand the business significantly and provide huge growth opportunities for Syngene.

Clinigene, has begun to become profitable and Clinigene, is a company that will also possibly go the same route as Syngene in the years to come, but Clinigene is still not at a stage where we can say it has reached critical mass. But once again clinical trials is a huge opportunity for India, and given the fact that there is a lot of pressure on big pharma to reduce its cost of drug development we are seeing Clinigene bag a lot of new clinical trial orders and business, and I think this is something, which also will grow Clinigene with a good growth trajectory.

Biocon itself has improved its biopharmaceuticals business with a better product mix and also going forward we believe this product mix will only improve. During this quarter both Syngene and Clinigene have also had to take on the burden of the increased depreciation because of new facilities and the full value of the business as a result of those expansions have not been captured this quarter, they will only be captured in the quarters going ahead.

In terms of our international acquisitions, we are very advanced in these discussions and we will hopefully be able to make an announcement in the next few months. We are looking at this international acquisition purely from a point of view of front ending our business in the developed market, and we believe that given the bio-similar strategy, which is becoming a very important part of every company's strategy, Biocon is indeed well positioned to take advantage of this particular emerging opportunity, both in Europe and in the US. We have very strong partners already in these markets, but we have reserved some of these markets for our own marketing initiatives and we think that there will be very large upside for Biocon in the years ahead.

We have also announced a very important investment in a company called IATRICa, which has been started by two Indian researchers at Johns Hopkins University, who have developed a conjugated immunotherapeutic technology. The invitro invivo data that we have seen is very impressive and it is on that basis that we have decided to co develop the next generation immunotherapeutic molecule using this technology. This belongs to a class of technologies that is proving to be very, very interesting, where a large number of acquisitions have been made by large pharma, and we believe that we have a unique opportunity of investing in this company and co developing a few molecules with them, which will allow us to really develop the next generation antibodies and other products.

Our existing innovation lead pipeline is of course also making good progress. BIOMAb EGFR, which has already been acknowledged as "The product of the year" by Biospectrum, has had a very good market entry into India, and we are now beginning trials to expand its label or indications, from head and neck cancer to brain glioma and shortly we will be starting non-small cell lung cancer trials. We have also been making good progress on the insulin like molecule IN-105, where we are nearing completion of the clamp studies in Karolinska and we will be shortly starting phase 2 trials in India, and if all goes well, we might be able to see a potential to market or launch this product in the Indian market, maybe sometime during 2010 and a few years thereafter.

When it comes to anti-CD6 antibody, that trial is also in the process of recruiting patients and we should see that data being generated in the months ahead. I would also like to add that we have taken an IP write off of about Rs. 22 crore pertaining to our oral BNP program. The reason being that BNP itself as a molecule has had some concerns, where the FDA has actually asked the company to conduct a much larger phase 3 clinical trials to establish certain safety aspects, which was a big concern for the FDA. and J & J also took a write off, of USD 400 million stating that until these trials are completed, they would like to put this program on hold, though they are very confident that the safety data will allow them to readdress market opportunity for this very important molecule. So as a measure of abundant precaution, we also have decided to put this program on hold, till we get better information about Nesiritide or BNP. And once that happens we will then, if the safety data looks good, and if the whole cloud has passed over this particular

molecule, we will reinitiate the R&D on this particular program, but until then we don't want to take the risk. So with that I will now start the Q&A session.

Question and Answer Session

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. N. Balaji Vaidyanath of Sundaram BNP Paribas.

Balaji: Good afternoon ma'am. Could you just elaborate a bit more on the acquisition that you were talking about and whether this Rs. 240 crore that you have post the divestment of enzymes business, will you be using that entirely for this acquisition or a part of that will also go for your CAPEX.

Kiran Mazumdar Shaw. Certainly we will not be spending the whole Rs. 240 crore on the acquisition. We are looking at multiple acquisitions using this particular amount of cash.

Balaji: Could you also elaborate a bit more on this acquisition, in the sense you mentioned front ending business in developed markets, what exactly did you mean by that?

Kiran Mazumdar Shaw: We are looking at obviously companies in Europe and US for this acquisition.

Balaji: Okay thanks.

Moderator: Our next question comes from Mr. Kesvinder Suri of Span Capital.

Kesvinder Suri: Good afternoon. If you could kindly throw some light on this other income component of Rs. 21 crore during the quarter.

Murali Krishnan: Other income primarily consists of two elements. One of them, is the dividend income that we derived from the investment of the Rs 400 crore sale products resulting from the divestment of Novozymes, This has given about Rs. 7 odd crore. And apart from that, there is another component of about Rs. 10 odd crore, which has come from Novozyme. If you recall, the last conference call, we said we will be getting up front about Rs. 400 crore from them, and the total consideration is about Rs. 467 crore. That Rs. 67 crore we will be getting over a period of 2 to 10 years, depending upon certain milestones, certain services that we give to them, and also the lease rentals for the facilities that we have leased to them. So, this quarter we have got about Rs. 10 odd crore from this component of that Rs. 67 crore. And this need not necessarily be recurring in terms of some of the milestone payments. While the lease rentals will be recurring.

Kesvinder Suri: And the licensing revenues also get booked under other income?

Murali Krishnan: No, that is part of Biopharmaceuticals This time the licensing revenues were very small, at just about Rs. 2 crore and odd.

Kesvinder Suri: Okay, and can you throw some light on the statin market, because if we just work it backwards, I didn't see it to be contracting. So if you could throw some light on the statin market, have the prices fallen, margins contracted over the last couple of quarters?

Rakesh Bamzai: Hi, this is Rakesh here. The overall demand for lovastatin has come down. In Pravastatin also the demand has come down. Simvastatin, by and large is very stable. The US market was flat; Europe was also flat. The prices haven't come down.

Kesvinder Suri: Okay, what kinds of margins are generally prevailing in the market? I know you cannot really share about your particular margins, but just to give a broad indication as to how the margins are.

Rakesh Bamzai: They are pretty decent for us to be in the business.

Kesvinder Suri: If you could throw a ballpark number, a range kind of a thing.

Rakesh Bamzai: Not exactly because of competitive reasons,

Kesvinder Suri: Not just yours, but say a general overall prevailing in the market, just the range of margins you think are there in the market.

Rakesh Bamzai: See, honestly speaking, I wouldn't be able to tell you about this, but we have decent margins in statins.

Kesvinder Suri: Okay, another question to you Rakesh with regards to insulin and Insugen, if you could throw some updates on that?

Rakesh Bamzai: Insulin and Insugen are going to drive biopharmaceuticals growth and sales in the next three to five years. By end of this year we will be having registrations in 40 countries. Overall, our strategy is to go to 100 countries in two years time. We presently have approvals in 15 countries, for Insugen. And for bulk insulin, we are marketing in around maybe 20 countries today. So we are emerging as one of the strong manufacturers and marketers of insulin and Insugen in these markets.

Kesvinder Suri: Okay. And what's happening on the China front with the Bayer alliance?

Rakesh Bamzai: We are progressing there and China everything has slowed down because of the investigations by the Chinese FDA. We are expecting approvals in two years time from now.

Kesvinder Suri: And Abraxane, you have launched already?

Rakesh Bamzai: We have received the approval; and expect to launch within two months.

Kesvinder Suri: Okay. Another question with regards to hold overall, you say about Clinigene acquiring critical size and then you going in maybe for another restructuring of the business. What do you term as critical size for Clinigene?

Kiran Mazumdar Shaw: Yes, I think we are really looking at Clinigene going up to sort of the 100 crore level before we can look at listing Clinigene.

Kesvinder Suri: It will be really helpful if you could give a breakup of the Rs. 43 crore you booked this quarter, under contract research between Clinigene and Syngene, if you could do that?

Kiran Mazumdar Shaw: Yes, we will.

Murali Krishnan: Rs. 37 crore is Syngene, Rs. 6 crore Clinigene.

Kesvinder Suri: Okay, fine. Thank you so much. I will get back with you.

Moderator: Our next question comes from Mr. Nimish Mehta of MP Advisors

Nimish Mehta: Hi, good afternoon everybody. I have couple of questions. First of all you said that the licensing income in this quarter is just about Rs. 2 crore and if I recollect well, it was about Rs.15 to 16 crore in the quarter in the previous year. So, despite that, we are seeing a substantial increase in the gross margin. Can you tell us what is the real reason behind the improvement in gross margins?

MB Chinappa: We have seen some first stage improvement in our material costs, about 100 + basis points Our overheads are roughly in line with the previous two quarters and the difference in the EBITDA margin has come in because of the cost recovery and the billings relating to Novozymes. Dividend income partly compensated for lower licensing income.

Nimish Mehta: If I were to just look at the material cost as a percentage of total revenues, that has been down by about 300, 400 basis points, if I am doing my math correctly. That is what I am trying to understand. This is despite the fact that the licensing income is too low, which generally flows down to the profitability.

Kiran Mazumdar Shaw: Its just operational efficiency that has improved and it's an improved product mix, like I said in my opening statement.

Nimish Mehta: I see, can we expect this going forward; is this sustainable kind of a margin that we are looking at?

Kiran Mazumdar Shaw: That is what our strategy is going forward.

Nimish Mehta: Okay, and so if we have licensing income higher in the coming quarters, we will see further improvement in the gross margin, right?

Kiran Mazumdar Shaw: Obviously, yes

Nimish Mehta: Okay. My second question is, if you can just tell me what is the R&D cost that you have incurred in this quarter?

MB Chinappa: Rs.12 crore in this quarter, it is similar to last quarter number.

Nimish Mehta: Okay. And my final question and this is where I would like to have some more color. You were mentioning that you are targeting the oral insulin for the domestic market. And you had already launched one NCE, BIOMAb into the domestic market. It seems that there is a conscious strategy of targeting the domestic market as far as the new chemical entities are concerned. How do you justify the costs associated with research vis-à-vis the market size that you get in a country like India, which would be substantially lower than other markets?

Kiran Mazumdar Shaw: Well, I think, what we are doing is, we are using India as a launch pad. We are not saying that it will only be sold in India. We want to start with India, and then enter the international market. That is the strategy.

Nimish Mehta: And the risks as in related to the costs and the failures still remain the same as if you were to target the US markets.

Kiran Mazumdar Shaw: Yes absolutely. They will remain the same.,

Nimish Mehta: I see, can you tell us a ballpark estimate of the total cost of R&D, if you were to develop a molecule in India?

Kiran Mazumdar Shaw: Well, I think if you look at it, it will depend what molecule you are developing. And it also depends on how you design your clinical trials, is it a small molecule, is it a biological, I mean, it could range anywhere between Rs. 100 crore to Rs. 500 crore.

Nimish Mehta: Okay. And if we were to take the example of oral insulin that you are developing, it would be how much?

Kiran Mazumdar Shaw: But for oral insulin, we have actually a global strategy, it's just that India will be a launch pad for our commercialization. It doesn't mean that the research will only be done in India. We are already doing research in Sweden. So, the research will continue to be done in many parts of the world, we are saying that probably we will be able to get regulatory approvals for launching the product in India, because the clinical data that we generate in India will be sufficient for the Indian launch. Whereas when we do global trials, the trials that we will have to do in other parts of the world…we will have to do it in those countries. So, that's why it will take a little longer.

Nimish Mehta: I see, and in terms of the time taken to launch this product in India, versus in US, it would be a substantial difference?

Kiran Mazumdar Shaw: About two years.

Nimish Mehta: Thanks a lot, you have answered my questions.

Moderator: Our next question comes from Ms. Purvi Shah of Dalal and Broacha.

Purvi Shah: Good afternoon everyone. My question is regarding, what is the head count in Syngene and how many scientists have so far been recruited under BMS contract?

Goutam Das: We have recruited about 800 scientists so far in Syngene.

Purvi Shah: And sir, how about the new scientists recruited under BMS contract?

Goutam Das: That is still going on.

Purvi Shah: Any ballpark number you could give?

Goutam Das: Well not really at this point, we won't be able to share that,

Purvi Shah: Okay fine, thank you so much.

Moderator: Our next question comes from Ms. Visalakshi of DSP Merrill Lynch.

Visalakshi: Thank you very much. My first question is on your services business, if you look on a quarterly basis over the last three quarters it has been practically flat, there hasn't been much growth on a quarter over quarter, when do you expect the inflection in the services business, going forward? That is my first question.

Goutam Das: I would say even that the quarter four should look better, but then also if you see there has been growth in dollar terms . It is just that rupee is masking it pretty badly, because of the depreciation of the dollar.

Visalakshi: Okay and how in terms of the ramp up from BMS, which particular year will we see that ramp up or is there any particular quarter that you would like to identify?

Goutam Das: It is 2009 onwards.

Visalakshi: Okay, could you also detail out how the product mix within the Syngene operations is taking a change?

Goutam Das: Well we have custom synthesis and the service areas and clearly the custom synthesis is going up as percentage every quarter.

Visalakshi: Okay, how big would that be as a percentage of Syngene's operations?

Goutam Das: About 25% to 30%.

Visalakshi: Thank you very much. My second question is on your oral insulin strategy, if you can very briefly talk about what is the development path for oral insulin and how do we see Biocon generating value out of this oral insulin IP platform that is there?

Harish Iyer: With regards to oral insulin, we are planning to start off with an initial trial looking at ascending dose and phase 2 studies in type 2 diabetics and then we will be doing long term studies. We have to still choose the patient population, which we will do after consulting with international clinical advisory boards that we have set up with some pretty eminent scientists in it and then we will follow that up with a confirmatory phase 3 trial and we expect that to take a couple of years from now.

Visalakshi: Okay and Kiran, would you like to talk about, how we will see Biocon cashing out or looking at generating value.

Kiran Mazumdar Shaw: I think, we have always maintained that we will look at licensing opportunities and after phase 2 we will really start addressing those licensing opportunities very seriously.

Visalakshi: Should we expect something in fiscal '09 on this?

Kiran Mazumdar Shaw: Well, it's hard to say, but it is a possibility.

Visalakshi: Okay thanks and finally is there any outlook on licensing income or essentially technology income going forward because this has been pretty lumpy and pretty difficult to model as well?

Kiran Mazumdar Shaw: Yes, it will continue to be lumpy, but we have a large number of licensing opportunities which are happening and they will continue to happen in the foreseeable future, but not obviously on a quarterly basis, it will probably happen in a kind of an annualized basis.

Visalakshi: So, on an annualized basis for next year, would we see this doubling again, like what we saw in fiscal '08?

Kiran Mazumdar Shaw: It is difficult to say because it will all depend on how we want to do it. You know, now that we are going to look at our own marketing and we may not even want to license some of these.

Visalakshi: Thank you so much.

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

Prashant Nair: Hi, my question relates to Syngene, now that you have taken a decision to list it separately, can you give us some idea of how much the capital employed would be in this business at this point and how the P&L looks?

Murali Krishnan: Are you looking at the outlook for Syngene?

Prashant Nair: No, not outlook, I basically just wanted to know how much or what is the capital employed in Syngene at this point and what are the EBITDA margins and EBIT margins in this business?

Murali Krishnan: See, the capital employed by end of this calendar or next fiscal will be in the region of about Rs. 400 crore. EBITDA would be about 35% or so, which is what it is today. The PAT level is around 25%.

Prashant Nair: Thanks a lot.

Moderator: Our next question comes from Ms. Monica Joshi of Quantum Securities.

Monica Joshi: Hi, can you give us some kind of, what would be the structure in terms of putting Syngene in an IPO route, would you give the existing share holders some sort of a swap or would you maintain it as a subsidiary of Biocon and then initiate an IPO?

Kiran Mazumdar Shaw: See, there is a committee that has been set up to actually look at how we want to list Syngene, so at this point in time; I don't want to comment on anything. It will become very speculative so please, I do not want to comment on that.

Monica Joshi: Sure, so when can we get some sort of guidance on this issue?

Kiran Mazumdar Shaw: When we get the red herring prospectus out.

Monica Joshi: Okay ma'am, thank you so much.

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

Sameer Baisiwala: Hi good afternoon, my first question is regarding IATRICa; can you share some details as to how much capital you plan to invest in this upfront and something about the lead compounds that they have?

Kiran Mazumdar Shaw: Well, it is sub 10 million dollar levels; it's a small startup, so it is obviously not a very large investment. In terms of what molecules they have is, they are looking at some conjugated immunotherapeutics and at this point in time I don't think we can share much data with you, because we would like to sort of really develop these molecules to a point and then talk about it.

Sameer Baisiwala: And this 10 million dollar would transfer into…

Kiran Mazumdar Shaw No, it is not 10 million dollar; I am saying it is sub 10 million dollar.

Sameer Baisiwala: Okay and this is all upfront?

Kiran Mazumdar Shaw: Over a year.

Sameer Baisiwala: Okay and to begin with, what's the equity stake in this company?

Kiran Mazumdar Shaw: We are going to be taking about 30% stake.

Sameer Baisiwala: And this will go up as your investment goes up?

Kiran Mazumdar Shaw: We will look at how to increase it depending on what progress is being made.

Sameer Baisiwala: Okay and second question is regarding BIOMAb, could you share, what is the number of patients right now enrolled?

Rakesh Bamzai: Hello, we have been able to recruit 100 patients as of last month end and by the end of this year we will be close to 1,250, 1,000 patients already recruited, 1250 expected by the end of the year.

Kiran Mazumdar Shaw: Sorry, I want to make a clarification; it's not about recruiting patients. Today over 1,000 patients have been treated and the ongoing trials will see another 100 patients to 200 patients going through these clinical trials.

Sameer Baisiwala: I am talking about the indication for which it's approved.

Kiran Mazumdar Shaw: Oh, that's over 1,000 patients.

Sameer Baisiwala: Okay, so for the indications which are, on which you are working right now, what are the time lines for them?

Rakesh Bamzai: The clinical trials have started. We got the approvals for non-small cell lung carcinoma and glioma.

Sameer Baisiwala: So, when can we expect these to be approved?

Arvind Atignal: For the non-small cell lung cancer report to be submitted to the DCGI will take about 18 months and the glioma trial will be between a year and 18 months.

Sameer Baisiwala: Okay and one last question is, regarding your efforts for G-CSF and insulin registration in Europe and US, if you can share us any update on this?

Rakesh Bamzai: See on Insugen registration in Europe, we have already started the process one year back and this is a long way away, according to us it will take another two years for final marketing authorization because we have to follow EMEA guidelines and G-CSF we have partnership with Abraxis BioSciences and the time frame for the launch and / or marketing authorization in Europe is three years.

Sameer Baisiwala: Okay and it is fair to assume that US would follow the European time lines?

Rakesh Bamzai: Yes, US will be a little bit longer.

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

Moderator: Our next question comes from Ms. Shahina Mukadam of IDBI Capitals.

Shahina Mukadam: Yes hi, ma'am. There are couple of questions I had, basically it is on the financials, while of course the revenues are down, but I find the raw material cost, if you look at it, its not really come down in that percentage and it is almost flat or slightly higher on a sequential basis over quarter 1, 2 of FY08, so am I seeing the numbers right or is it something that is there just for this quarter?

MB Chinappa: Do you have Rs. 117 crore of material costs in Q3 and Rs.136 crore in Q2.

Shahina Mukadam: Yes, you have Rs. 139 crore in Q3 and Rs. 135 in Q2, raw material costs including R&D. I mean, that is the classification that you gave I guess, in your results, so really I have just looked at the result updates that have been sent and while I understand that there has been of course a sale in the third quarter of a division, so the turnover is down, but I am just trying

to figure out if I have got my number wrong in terms of raw material on a comparison basis with the previous two quarters?

MB Chinappa: For Q3 material and power costs are a Rs. 117 versus Rs. 136 in Q2. This reflects about the 200 basis points improvement over the last quarter, net of the other income and licensing fees.

Shahina Mukadam: And in terms of the tax percentage, what is the sort of percentage you would end up the year with because it's again I think fluctuating, but of course, very marginal?

MB Chinappa: Yes, we expect the tax charged to remain at the same levels for the next quarter.

Shahina Mukadam: Okay thanks.

Moderator: Our next question comes from Mr. Rahul Sharma of Karvy Stock Broking.

Rahul Sharma: Just wanted to clarify, our research services has gone down from Rs.740 million in Q2 to Rs.447 million, what is the reason for the same?

Murali Krishnan: I don't know from where you got the numbers, can you just repeat the numbers once again?

Rahul Sharma: Sir, our research services has gone down to Rs.447 million for the quarter compared to around close to Rs.740 million in the preceding quarter.

Murali Krishnan: No, it is not for the quarter, 740 million was never achieved in a quarter. The last three quarters, it has been in the range of about Rs. 40 to Rs. 42 crore.

Rahul Sharma: Okay, it must be some mistake on my side. Have you all been facing pressure on rack rates from your clients in the services business?

Goutam Das: No, not really, I mean, the pressure is not from the pricing, the rupee appreciation, which is probably affecting the results.

Rahul Sharma: Okay, not on the rates which are charged?

Goutam Das: Not the rates.

Rahul Sharma: Okay, thank you.

Moderator: Our next question comes from Mr. Harish, an individual investor.

Harish: Hello, thanks for taking my question. My first question if you can help me understand, what is the benefit or the reduction that has come out in the staff costs due to the employees being moved out to the Novozyme business, did we get any benefit out of that?

MB Chinappa: Yes, there is Rs. 2 crore reduction in the employee cost, which is reflected in the Q3 numbers. It is Rs.28 crore versus Rs.30 crore in the previous quarter.

Harish: Okay, see our licensing income is Rs.2 crore, if you can help me understand, what is the trigger for this to come down so drastically from the previous quarter of about Rs. 15 to 16 crore, my understanding is that this gets booked as a proportion to the sales that we make out of the licensed products, if you can help me understand?

Kiran Mazumdar Shaw: This is not royalties, this is certain licensing income, it is a one time kind of licensing, so it is not what you are understanding is. It is not royalty sales that are being

booked as licensing income; it is a one time licensing income that happens for product wise kind of licensing. That is why you have lumpiness, you can book income only when you start licensing these products.

Harish: Yes, okay, in the last call we had got an impression that the IN-105 would get licensed in a one year time frame, which is sometime like September, October of the current year, does that still hold?

Kiran Mazumdar Shaw: Yes, it will certainly still hold, because what we are looking at is to generate some data that can help us to get the best valuation for this drug.

Harish: Okay, did I understand it correctly that the oral BNP, is it on hold or is it that we are just reevaluating certain aspects of it?

Kiran Mazumdar Shaw: It is on hold because the BNP itself, there is a big red flag raised by US FDA, so if there are safety concerns on the drug itself then to develop an oral version of that drug, you are running that risk, that is the US FDA suddenly finds that it is not a safe drug, then all the investments that you are putting into developing an oral drug might also face the same challenge. Investments might get wasted, so that is why we are saying, lets take a write off for the time being, so that at least we don't run the risk of investing further and then losing that amount and if the drug is cleared, in terms of safety, then we carry on with the program of oral BNP, because then it becomes a very attractive drug.

Harish: Okay, my question was, if you can help me understand, do we have sufficient pricing power in our services business with respect to the currency movement or are we in a stage where we have little latitude on that front?

Kiran Mazumdar Shaw: It is still a very profitable business, but the fact is that our margins have shrunk because of the dollar depreciation. So, while we can withstand this kind of shock, the fact of the matter is that we want to see how we can improve our margins. We are renegotiating a large number of contracts to see how we can come back to those original levels.

Harish: Okay, my last question, I was just looking at the employee cost and I expect that this year we would end up spending roughly about Rs. 120 crore for this full year and what we pay out as dividends comes to roughly one fourth of that, so do you foresee that ratio to broadly continue, which means share holders end up getting about one fourth of what we spend on the staff cost, is there some thought on these broad ratio on that front or…

Kiran Mazumdar Shaw: There is no correlation whatsoever between employee costs and dividend pay outs.

Harish: Okay, thank you very much.

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

Bhavin Shah: Good afternoon everyone, my question pertains to, what kind of contribution have we seen from the statins business in the quarter and for being repetitive, I am sorry, just wanted the numbers for Syngene again?

Kiran Mazumdar Shaw: Broadly speaking, statins are contributing about a third of our business, but we cannot discuss margins. As far as Syngene is concerned, I think we have told you that the share is roughly about Rs. 37 - 38 crore.

Bhavin Shah: Okay ma'am and what are the strategies that you have in place for atorvastatin?

Rakesh Bamzai: Yes, Biocon has its own process patents on two types of atorvastatin; we recently filed two more patents on atorvastatin. So we have a very strong possibility of entering the market in 2011 and 2012. We have partners in Europe, partners in Canada, partners in United States and we are marketing this product ourselves through a formulation, through our company Neo-Biocon in the Middle-East.

Bhavin Shah: Okay, sir my other question pertains to the development that we just recently announced about IATRICa, have they licensed their technology to anybody else before we got into a development pact with them?

Kiran Mazumdar Shaw: No. This is an exclusive license for these molecules with us.

Bhavin Shah: Alright, thank you very much.

Moderator: A follow up question comes from Mr. Nimish Mehta of MP Advisors.

Nimish Mehta: Yes, just a quick question, can you quantify the impact of foreign exchange in this quarter?

MB Chinappa: Translation gain of about one and a half crore. During the quarter we realized dollars at a lower rate averaging Rs.40.

Nimish Mehta: Pardon, I couldn't get the last one?

MB Chinappa: Our exports are being sold at an average of Rs.39.75 to Rs.40 to a dollar. In the exchange there is a one and a half crore of gains, which are reflected as a reduction of the other expenses.

Nimish Mehta: Okay and you mentioned that you had written off Rs. 22 crore in relation to the BNP programs, in the P&L, in which line does it reflect?

Murali Krishnan: It is the exceptional expense towards business that has been discontinued.

Nimish Mehta: Okay, thanks a lot.

Moderator: Our next question comes from Mr. Bino Pathiparampil of IIFL Capitals.

Bino: Hi, most of my questions have already been answered, just couple of questions, first one with specifically regarding the BMS contract, do you have an option to renegotiate the FTE terms based on currency depreciation or appreciation?

Murali Krishnan: Yes.

Bino Pathiparampil: Okay and second, this BIOMAb being a new biological entity, do you have a development strategy for the developed markets for that product?

Kiran Mazumdar Shaw: Well, we don't have opportunities for developed markets, but we are expanding our territory through partnerships in the Middle-East and certain Asian regions.

Bino Pathiparampil: Okay, but why can't that be developed for the developed market?

Kiran Mazumdar Shaw: Because there is another company that had licensed the rights to the developed markets before us, a Canadian company.

Bino Pathiparampil: Okay, right. Yes, the last question is regarding the write down of Rs.22 crore, was that like, created when you bought some IP or was it capitalized when you got some internally developed IP?

Murali Krishnan: No, it was created when we bought the IP from Nobex.

Bino Pathiparampil: Okay, thank you very much.

Moderator: Our next question comes from Mr. Shardul Pradhan of JM Financials.

Shardul Pradhan: Hi, good afternoon, sorry I joined you a little late; I just wanted to get a little clarification. On your Biopharma business, if I see the first quarter and second quarter, you have approximately sales of around Rs.205 and about Rs.218 crore, am I right?

Murali Krishnan: More or less.

Shardul Pradhan: Yes, and this quarter it comes down to somewhere around Rs.188 crore?

Murali Krishnan: No, this quarter it is not Rs.188 crore.

Shardul Pradhan: I am sorry; I had the nine month numbers, so I was just trying to work back on your six month numbers.

Murali Krishnan: No, your numbers are not absolutely right,, this quarter it's about Rs.195 crore

Shardul Pradhan: Okay, but this is still quite a decline if you see over the last two quarters, can you explain why?

Murali Krishnan: This quarter,includes only Rs.2 crore of licensing income, while previous two quarters we had about Rs.16 crore each.

Shardul Pradhan: Okay, licensing income which was included in biopharmaceuticals. Okay, thank you.

Moderator: There are no further questions. Now I hand over the floor to Ms. Kiran Mazumdar Shaw for closing comments.

Kiran Mazumdar-Shaw: Thank you very much for attending this investor conference call and I look forward to the next time. Thank you.
