BIOCON

Q-4 Earnings Conference Call, April 20, 2005

Moderator: Good afternoon Ladies and Gentlemen. I am Monali, the moderator for this conference. Welcome to the Biocon Earnings call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Mr. Shiv Muttoo. Thank you and over to you Sir.

Shiv Muttoo: Good afternoon everyone and thank you for joining us on Biocon's FY 2005 results conference call. Joining us from Bangalore are Ms. Kiran Mazumdar-Shaw - Biocon Chairman and Managing Director, Mr. John Shaw - Vice Chairman of the Company, and the Presidents of Finance, R&D, Marketing, Operations and Technology, Syngene and Clinigene.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward looking in nature, and based on the management's current expectations, may involve risks and uncertainties. A detailed statement in this regard is available in the FY 2005 results announcement release, which has been e-mailed to you and which is also posted on Biocon's corporate website.

I now invite Ms. Kiran Mazumdar-Shaw to relate the opening remarks and discuss the performance of the Company.

Kiran Mazumdar-Shaw: Good afternoon everyone. I am very pleased to share with you the year-end numbers for Biocon in the fiscal year ended March 31, 2005. We are extremely pleased to announce that total income has increased by 34% to Rs 728 crores. Our operating profits have also been commensurate with this growth. Profit after tax has delivered very handsome growth of 42% with Rs 198 crores of net profit. Net margins have also expanded from 26% to 27%, and the Board has recommended a dividend @ 40% translating to Rs. 2 per share.

What I would like to say is that our outlook for the year ahead is very positive. We are very satisfied with the numbers we have delivered in the current fiscal and we are very pleased that all our businesses have grown in a very positive manner and they have also helped us to exceed our internal profit targets. Going ahead we are very confident that we will continue to deliver healthy sales growth and we will be able to maintain current levels of operating profits, operating margins. However, profits will not grow as fast as the sales and we attribute this partly to the depreciation component in our new expansion program, which is all set to capture the emerging Simvastatin and Pravastatin opportunities in the US market in 2006. And more importantly, the profits at these levels are also going to reflect strong investments in R&D. When I talk about R&D I am referring to discovery-led R&D. This is extremely important given the fact the we are now entering a new era, the WTO **TRIPS** era, and Biocon clearly sees that investing in discovery-led R&D is going to be key to sustaining our business in the future, and the investments that we are envisaging in these R&D programs will certainly deliver very high global growth opportunity for us in the next three to five years.

Now what is also very important for me to mention here is the fact that our R&D strategy has always focused on a generic strategy in the short term, slowly moving into co-development partnership research strategies in the medium term, and then of course our own proprietary products in the long term. I can confidently say that our generics research program has delivered handsomely in terms of the product segments that we have addressed. As you all know, statins have been an outstanding success for the Company, and other product segments like immunosuppressants and insulin, we are confident will also deliver in a similar manner.

The biogenerics space is also another very exciting space for Biocon. Some recent announcements of certain biogeneric deals, for example, the one entered into between PLIVA and Barr Laboratories gives us the confidence that this will be a very important opportunity for us. And then moving on to partnership model where I think we have taken a de-risked approach to the selection of the discovery-led programs, namely the antibodies. The antibody that we are developing for head and neck cancer with our Cuban partners is doing extremely well. It is halfway through Phase-

II B clinical trials, and we are very confident that we will probably get fast track approval for this particular molecule by the end of the year. In addition to that we are also developing two novel human antibodies against known targets. Now, this is a very de-risked strategy where both the Cuban antibody and the Vaccinex antibodies are targeting known and proven targets.

In the proven molecule space again we have started with insulin which is a known molecule. All that we are doing is developing very exciting new delivery technologies such as oral insulin. Once again, we are addressing a very large opportunity through this effort and we will continue with this strategy in this partnership model making sure that there is a large proportion of product based on proven molecules or proven targets, and slowly then move into absolute discovery-based programs such as unknown or new targets, new molecules, and eventually we will move into our own proprietary molecules in the long term. So we are very excited, we are completely on track with all our strategies & plans and we are very positive in terms of the way we will grow in the coming years.

I would once again like to end by saying that Biocon has always maintained that we have a long-term opportunity and it is important for you to view this business, not on a quarterly basis, but on an annual basis, and in that it is very important for you to realize the kind of investments we are making because many of these investments are going to generate huge upsides for us in the future. What we are trying to do is to de-risk some of these, longer term revenues and returns by the shorter term strategies that we have pursued in generics.

With that I hope I have communicated that we are all very excited with what we have done this year and we are very positively inclined towards our performance in the coming year. Thank you very much.

Moderator: Thank you very much Madam. We will now begin the Q&A interactive session. Participants who wish to ask questions may please press *1 on your touchtone-enabled telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. To ask a question please press *1 now. We have our first question from Ms. Monica Joshi from Quantum Securities.

Monica Joshi: What was your equity participation in Vaccinex? My second question relates to your insulin strategy for the semi regulated markets and what are the plans there and how far have you succeeded? And my third question relates to sundry debtors, there seems to be a huge increase in sundry debtors about 26% of sales, so can you throw some light on that.

Kiran Mazumdar-Shaw: Well, I will answer the first question by saying that we will not be able to disclose the investment details pertaining to either Vaccinex or Nobex for confidentiality reasons. I will now ask my colleague Ajay Bharadwaj to answer your second question about insulin.

Ajay Bharadwaj: This year we are budgeting quite an aggressive growth in insulin because actually this would be the first full year where we have insulin available to us. As far as the existing Insugen goes, we have filed papers in a number of countries. They are in excess of 20 at the moment, and the registrations are proceeding quite well at variant pace in different phases. We expect within the first six months that we will have at least two or three countries where the product will start selling and certainly by the end of the year we will have a number of countries perhaps in the vicinity of 10 to 15 where we would be selling our insulin.

Monica Joshi: And what are your sales targets for insulin from the semi-regulated markets?

Ajay Bharadwaj: I would not want to make a public disclosure of what my sales targets are, but we are looking at grabbing 8 to 10% market share in the Indian market and we are also hoping to sell a fair bit of amount of insulin in these semi regulated markets.

Monica Joshi: Okay, your answer about the sundry debtors.

Murali Krishnan: About sundry debtors, the collection during this quarter has been slightly low on account of proposed implementation VAT. Most companies could not offload their stock during this quarter, which indirectly affected our collections as

well. It has gone up by about 10%, from 73 days to about 80 - 82 days (from about 22% levels to 26% levels). We expect this to come down over the next two quarters.

Monica Joshi: Okay, thanks.

Moderator: Thank you very much Madam. Next we have Mr. Raj Mohan a Private Investor.

Raj Mohan: I had a few questions. First one was, you had stated that you are expecting robust revenue growth in the range of 25 to 30% in the next fiscal, do you already have contractual agreements in place for your enhanced capacities?

Ajay Bharadwaj: The whole production capacity is not contracted outright in the beginning, but I must say it is a mixed bag picture. There are some people who have given us contract and there are some, which are under negotiation, and some of the capacity would only be contracted, as the year goes by.

Raj Mohan: Okay, the second is, since you are expecting the pricing environment to be a bit tight, would you be able to share the fall in pricing loaded into your revenue expectations for next year, on an average what is the expectation in terms of price falls on your major product categories for the next year?

Ajay Bharadwaj: Some of the major products have already gone off patent and we have actually seen the prices stabilize. When the US opens up we may find some crisis, but I do not think it would go down to the levels prevailing in Europe. We do not see great upheavals in prices any more than what we have already seen happening in some of the regulated markets.

Raj Mohan: Okay, the next one is you have always stated that though FDA grants could happen to new suppliers for statins, there will be a lag to achieve commercialization for them. Looking at current FDA approval trends till when, at the least, do you think the market for statins will not be impacted by a supply overhang?

Ajay Bharadwaj: See, one is to get an FDA qualification as far as an API manufacture is concerned, but the second part is that you also have to be included as a supplier or API in the filing, that is the ANDA file of the generic formulator there. Now these are two activities which have to be completed. So even if somebody gets qualified, that does not necessarily mean that they will be in the files of the major players in the market. So, that is the lag period we are talking about. We as a Company are already with a number of players and when the products go off patent, we expect that we will have a major play in the market.

Raj Mohan: Okay, one last question, have you moved closer to entering into any deals with innovator companies in statins for supplying APIs?

Ajay Bharadwaj: No, of course, I cannot disclose any details, but we are negotiating a number of deals with major innovators for a range of products, not just statins, but other products as well.

Raj Mohan: Okay, thanks a lot Ajay.

Moderator: Thank you very much Sir. Next is Mr. Kesvinder Singh from Span Capital.

Kesvinder Singh: Hi, what was the R&D spend for the whole year?

Shrikumar Suryanarayan: The R&D spend was roughly about 4 to 5% of Biocon's turnover, and we expect to maintain these levels in the coming year. The expenditure on group R&D is about 13%.

Kesvinder Singh: Okay, thanks.

Moderator: Thank you very much Sir. Next is Mr. Purvesh Shelatkar from UTI Securities.

Purvesh Shelatkar: Sir, you have mentioned in your results that your details of unsecured loans, and second thing is that instead of Rs 12 crore inflow there is a Rs

14 crore out flow in your cash flow. Can you please explain these two points? These 2 figures in your cash flow.

Chinappa MB: Unsecured loans comprise of a deferred sales tax credit which accrues at about Rs 5 crore to Rs 6 crore per annum.

Purvesh Shelatkar: Okay

Chinappa MB: That is an increase as far as the deferred sales tax credit goes. The rest of the increase is account working capital borrowings which average between Rs 50 to Rs 75 crores

Purvesh Shelatkar: Okay, so that is where that un-secured loans increase of almost 58% comes up, Rs 17 to Rs 27 crore.

Chinappa MB: Yes, the growth in unsecured loans is account the deferred sales tax credit of about Rs 6 crore, and the balance is account working capital.

Purvesh Shelatkar: Okay. Sir, approximately at what rates are we taking this working capital?

Chinappa MB: The unsecured loans, the deferred sales tax is interest free, the rest of loans are packing credit borrowings, where the rates have moved up from about 2.75% at the beginning of the year to about 3.75% p.a. during the year.

Purvesh Shelatkar: Okay. Sir, another one question is that you have got investments in your balance sheet which have moved up from Rs 22 crore to Rs 235 crore.

Chinappa MB: Most of the investment is in liquid funds, which represents the money raised in the IPO and pending deployment in the expansion project.

Purvesh Shelatkar: Okay, so from this year onwards we will have some returns on that as well.

Murali Krishnan: During FY 04-05 itself, we started getting return on these investments. The IPO proceeds amounting to Rs 315 crore, invested in liquid funds generated a return of about Rs 12 crores during FY 04-05. These funds have been gradually deployed in the ongoing capex projects during the year and will continue to be deployed during course of FY 05-06, too. Till their total deployment, these liquid investments will continue to generate some income.

Purvesh Shelatkar: Okay. Thank you very much.

Moderator: Thank you very much Sir. Next is Mr. Surjit from KJMC.

Surjit: My first question is regarding the European medicine agency who has recently come out with guidelines for approving biogeneric drugs in the European market, which US FDA has not yet decided as far as the guidelines is concerned for the biogenerics. What is your Company's latest status in terms of application for biogeneric drugs in European market?

Ajay Bharadwaj: In Europe we are certainly working very hard to get our products in. Then as far as insulin is concerned, we are working in the major markets in Europe, with the big generic companies or even with other companies who would be interested in taking these products into Europe. So, there is a plan in place and we are executing that.

Surjit: Yes. Already there are three applications. One among them from Biocon?

Ajay Bharadwaj: We have already been inspected for the approval by the drug authorities of Germany for insulin.

Surjit: So, when are you starting trials over there for your insulin product?

Ajay Bharadwaj: Our partner is currently formulating the products and after they have got approvals to do trials there, which they've applied for, the trials will begin sometime this year.

Surjit: Okay. How much time will it take? Could you give some idea?

Ajay Bharadwaj: The timeframe is something that they have to decide. It depends on how fast they can recruit patients and what is the protocol that is required of them. If there is a product testing, from our side it is really on a fast track.

Surjit: And what kind of market is existing presently over there?

Ajay Bharadwaj: The world market for insulin is 5 billion. Typically, Europe would be about 30 to 35% may be 40% of the market.

Surjit: Okay, and it is in the same condition, not too much of depreciation in that market?

Ajay Bharadwaj: Biologicals don't go through the same, have not gone through the same kind of churn that small molecules have in terms of price.

Surjit: Another thing is that Pravastatin in 2006 will be allowed for generic competition in US market as you were suggesting. So, how about the US FDA inspection of your capacity plan?

Ajay Bharadwaj: Yes. Our existing facility is already Qualified.

Surjit: Okay. Thank You

Moderator: Thank you very much Sir. Next is Mr. Ravi Dharamshi from Rare Enterprises.

Ravi Dharamshi: Hi. Our presentation lists that one of the growth drivers from 2006 onwards would be immunosuppressants and we were also planning to file the DMF for Tacrolimus, I believe, sometime in December. I would like to get some status on Tacrolimus and Sirolimus and immunosuppressants in general.

Ajay Bharadwaj: As part of the expansion, we have also set up plants, which are dedicated for the production of immunosuppressants and I can confirm that our plants for Tacrolimus as well as Sirolimus are well on the way, and we will meet the filing deadline.

Shrikumar Suryanarayan: Mycophenolate - we have already filed our DMF. We have declared at the moment Mycophenolic acid, and Mycophenolate Mofetil, Tacrolimus, and now Sirolimus. And what Ajay said just now was that, we've have already got the drug master file in place in the United States for Mycophenolate Mofetil and we will have the drug master file in time for Tacrolimus as well as Sirolimus.

Ravi Dharamshi: What I mean to ask is can we get some sense of the time line. Like in two quarters, three quarters?

Ajay Bharadwaj: By end of this calendar year, we are looking at filing Tacrolimus. Sirolimus would take a little while longer because we have developed the product, it has to be taken to plant, and we have to make validation batches. So subsequently, we would be filing that as well.

Ravi Dharamshi: Okay, thank you.

Moderator: Thank you very much Sir. Next is Ms. Visalakshi from DSP Merrill Lynch.

Visalakshi: Hi. My first question is on your cost structure. For the fiscal year 2005 your total expenditure of Rs 4.9 billion, can you give us the breakup of raw materials, staff cost, and other expenditure?

Murali Krishnan: The document filed with Stock Exchange(s) contains this information and this will be shortly posted in our web site too.

Visalakshi: Okay fine. And the second is on enzymes and Custom Research. I can see that 2005 has grown at 34% on a year-on-year basis. What is the outlook on the enzymes business going forward?

Ajay Bharadwaj: The outlook on enzymes business looks very good as well.

Visalakshi: Okay.

Ajay Bharadwaj: Now that we will have some more capacity in this year, enzymes should certainly continue their upswing.

Visalakshi: Can we assume a similar kind of growth rate for the next one year at least?

Ajay Bharadwaj: Well, it is a safe assumption.

Visalakshi: And on Custom Research, which has grown to nearly about Rs 650 million for 2005. What is the outlook on that business?

Goutam Das: The outlook on Custom Research services is also pretty good right now.

Visalakshi: Okay. Could you give us some sense in terms of any new clients who have been added?

Goutam Das: Giving the clients' name is always difficult because of confidentiality, but we definitely have added quite a few new clients this year, and it is more from the expansion of work from our old clients always about 30%, and we have increased the capacity, as you know with the new building at the Biocon Park, and the full numbers will be reflected this year on that.

Visalakshi: Can one safely assume a 50% plus growth rate in this business as well?

Goutam Das: We will work towards that.

Visalakshi: Okay. My final question is on this head and neck cancer product which is expected to be launched say end of this year. What sort of outlook do you have, what is the potential for this product?

Kiran Mazumdar-Shaw: I must correct you there. Visalakshi, because we cannot plan launch without any regulatory approval. This is so dependent on regulatory approval. All that we have said is that based on the trial that we are conducting, we can seek fast track approval.

If we get that fast track approval, we may be able to see one-quarter's sales but we have not factored any of that in our projections. We would really like to factor these numbers once we get regulatory approval and the earliest we should really look at it is in the next fiscal.

Visalakshi: Okay. So assuming a launch say early next year, what is the kind of benchmark that you would look for this molecule and what's the kind of potential for this?

Kiran Mazumdar-Shaw: The potential is tremendous. We are also extending the trials from head and neck cancers to other cancers, like the pancreatic, colo-rectal, glioblastoma, and non-small cell lung carcinoma etc, and what we see in these molecule is that each one of these has at least a 100 crore potential, each indication, so it is going to be a very large product.

Visalakshi: And the current market price would this be restricted to India or not?

Kiran Mazumdar-Shaw: Well, this market I am talking about is actually in India at the moment. India itself has such a huge incidence of all these cancers, and if you were to look at the kind of products available at the moment, this is an absolutely empty space. This is extremely important and if you look at the way Erbitux have been doing in both the European and US markets, which is really the sort of markets that are being targeted by these products, and if you look at our products, which we believe is a superior product, because it is a humanized antibody. We think that this

is a very important opportunity for us. Moreover, we could also a global manufacturing license to supply. So this would give it even a bigger potential going forward.

AS Arvind: I would just like to make one point here. This product apart from being safe, the trials have been designed in such a way that we could evaluate the effectiveness of this by trying to see if chemotherapy can be kept out as well, and chemotherapy is the one which really makes the patient very sick and very ill. So this will have quite good potential advantages in adjuvant therapy.

Visalakshi: Thank you so much. That completes my questions.

Moderator: Thank you very much Madam. Participants who wish to ask questions may please press *1. Next is Mr. Rahul Sharma from Karvy Shares & Stock Brokers.

Rahul Sharma: What is the R&D expenditure on a consolidated basis for FY05 and what are you planning going ahead next year?

Murali Krishnan: It is about 13% on consolidated basis for FY05.

Rahul Sharma: Sir in number terms, how much does it work out to approximately?

Murali Krishnan: 13% of the topline, about Rs 95 crores (approximately), which is inclusive of capex.

Rahul Sharma: Are you planning to maintain this type of R&D expenditure going ahead or it will increase substantially?

Murali Krishnan: It will increase. It's likely to increase substantially in the next a year or so.

Rahul Sharma: What would be the ballpark number on the revenue front Sir?

Murali Krishnan: Percentage wise, it is likely to be a double-digit number.

Rahul Sharma: Okay. Thank you.

Moderator: Thank you very much Sir. Next is Mr. Prashant Nair from Motilal Oswal.

Prashant Nair: Two questions: One is, when you have said you would have a healthy sales growth. Could you give us some kind of band of what you are looking at as in what would be the minimum level that you would term as healthy? And my second question is about maintaining margins for the next year. As you are saying you will maintain margins, pre R&D cost or including R&D cost?

Kiran Mazumdar-Shaw: Pre R&D cost.

Prashant Nair: Okay. And the revenue?

Kiran Mazumdar-Shaw: We are very positive on achieving healthy revenue growth and I really don't think we can give you any percentage or band as such. But, you can expect to see us doing very well on the revenue front.

Prashant Nair: All right. Thanks.

Moderator: Thank you very much Sir. Next is Mr. Sunil Kumar from Birla SunLife.

Sunil Kumar: Hi. I just wanted to know that your net current assets have gone down from Rs 404 crore to Rs 28 crore though the sundry debtors have gone up, is it because of cash and bank balances, which have gone down? Can you throw some light on that?

Chinappa MB: There are two factors there. One is that the money that was raised at IPO last year has moved up from cash in bank into the liquid funds which are classified as investments. The other factor is the increase in capex creditors which has increased on account of the capex project. These two factors have had an effect of bringing down the net working capital.

Sunil Kumar: Okay, because I could see that investment part also, which has gone up from Rs 22 crore to Rs 235 crore? That's what you mentioned in the beginning that the IPO part has been invested over there that was close to Rs 213 crore.

Chinappa MB: The next is the expansion of the creditors.

Sunil Kumar: Okay, thanks.

Moderator: Thank you very much Sir. Next is Mr. Ravi Agarwal from JP Morgan.

Ravi Agarwal: Good Afternoon. I just wanted to know what your current market shares in Europe for Simvastatin and Pravastatin are?

Ajay Bharadwaj: See when we calculate market share based on what the IMS data is, we have close to 40% market share in Simvastatin.

Ravi Agarwal: And Pravastatin?

Ajay Bharadwaj: Pravastatin, I would say upward of 20%.

Ravi Agarwal: Do you expect the same kind of market shares going forward in FY06 and FY07.

Ajay Bharadwaj: Yes. We do expect that.

Ravi Agarwal: Okay. Just another question, could you just give me absolute numbers for R&D for FY05 and your fourth quarter FY05 on a consolidated basis, the revenue part of it?

Murali Krishnan: Rs 95 crore for the full year, including capex. I do not have the quarterly numbers right now.

Kiran Mazumdar-Shaw: But why would you be interested in quarterly numbers for R&D?

Ravi Agarwal: Well, we try to keep a track of the quarterly numbers too.

Kiran Mazumdar-Shaw: I don't think it is relevant for R&D investment because it is extremely misleading to do that.

Ravi Agarwal: Okay.

Murali Krishnan: The capital expenditure that we incur could come in spurts. If capex projects get capitalized, say in the second quarter or third quarter, then we would see a sudden spike there and the other quarters may not have that.

Ravi Agarwal: No Sir, the revenue part of the R&D, I do not want the capital part of the R&D.

Murali Krishnan: Consolidated revenue spend is about Rs. 50 crores for FY 05.

Moderator: Thank you very much Sir. Next is Ms. Shahina Mukadam from HDFC Securities.

Shahina Mukadam: Hi. My question is also on R&D and in fact it is a continuation of the previous speaker. Basically, if I get it right, you are talking of a Rs 50 crore revenue R&D in FY 05 vs., I think it was around Rs 10 to Rs 11 crores, FY 04. Am I getting that right?

Murali Krishnan: No, in FY04 it was Rs 37 crores.

Shahina Mukadam: Okay. On a consolidated basis?

Murali Krishnan: Yes. On a consolidated basis in FY 2004 it was Rs 37 crores. In FY 2005, it is about Rs 50 crores.

Shahina Mukadam: Okay. And the second question is on the domestic market, how much did it contribute for the full year?

Murali Krishnan: Domestic market contributed about 38% of the total revenue.

Shahina Mukadam: Okay. Okay thanks.

Chinappa MB: Just a point to add here. There are a lot of sales that we make in the domestic market that is finally exported out, as more and more Indian companies are filing ANDAs.

Shahina Mukadam: Okay.

Chinappa MB: You see this distinction between exports and the domestic market is fast disappearing.

Shahina Mukadam: Okay. Yes that's helpful. Thanks.

Moderator: Thank you very much Madam. Next is a follow-up question from Ms. Monica of Quantum Securities.

Monica Joshi: Sir, just going back to R&D, for this Rs 50 crore revenue R&D, if you could give some bifurcation on your three very clear strategies, for the short-term, medium-term, and long-term if you give percentage breakup if you can?

Kiran Mazumdar-Shaw: I don't think we can do that, it is very commercially sensitive.

Monica Joshi: Okay. Can you at least give me how much your own proprietary developments?

Kiran Mazumdar-Shaw: We will not like to disclose that kind of data because that's very commercially sensitive and you know people need not have this kind of information.

Monica Joshi: Okay. Fine. Thanks Madam.

Moderator: Thank you very much Madam. Next is the follow up from Mr. Rahul Sharma of Karvy Shares & Stock Brokers.

Rahul Sharma: Sir, I wanted to know, our revenue R&D is around 7% of our revenues for FY05, so would it be the same going ahead or should we take double digits as revenue R&D per se?

Ajay Bharadwaj: It should remain at about the same levels.

Rahul Sharma: Okay Sir, thanks.

Moderator: Thank you very much Sir. Next is the follow-up from Mr. Ravi Agarwal of JP Morgan.

Ravi Agarwal: Yes, I just wanted to ask you about the market shares for Simvastatin and Pravastatin in the US market. Is it reasonable to expect the similar range that you have got in Europe?

Ajay Bharadwaj: To make a prediction of this sort, you have to be clairvoyant. So depending on how this exclusivity thing pans out for Simvastatin, I think we expect to be a major player. Again, if you look at Lovastatin, which is the only molecule, which has gone off patent, we have, according to IMS data of the previous year, we have over 44% market share.

Ravi Agarwal: So basically you are saying that it is reasonable to expect similar kind of market shares even for Simvastatin and Pravastatin for US.

Ajay Bharadwaj: Yes. Certainly we are quite optimistic.

Ravi Agarwal: So, why is the market share in Pravastatin in Europe just about 20% or so?

Ajay Bharadwaj: When you look at the IMS data it also captures sale in some of the major countries where it has not gone off patent like France and Italy. So when I am talking about the market, I am talking about the total volume sold in Europe and what do we sell, but nobody has got any play in Italy and France, which are major markets for Pravastatin.

Ravi Agarwal: Right. And if I remember correctly in France and Italy both Simvastatin and Pravastatin are going off patent this year, is that correct?

Ajay Bharadwaj: In France, Pravastatin is going off patent in 2006, Simvastatin would go this year.

Ravi Agarwal: Okay. So even your Simvastatin market share, which you indicated about 40% will likely go up once you start supplying quantities in France?

Ajay Bharadwaj: I certainly hope so.

Ravi Agarwal: And as regards to your capital expenditure and the plant which was supposed to come up, could you give us the status of when is the commercial production expected?

Ajay Bharadwaj: We are taking the batches in two months. In Q2, we will start doing validation batches.

Ravi Agarwal: Okay and this would also include manufacturing of Lovastatin. Is that right?

Ajay Bharadwaj: All the statins. The plant is a multiple product facility, so we can do anything we want in that.

Ravi Agarwal: Right. So can we expect the reduction in raw material cost for the coming year because now you will be having your own Lovastatin?

Ajay Bharadwaj: It is our own Lovastatin, which is FDA qualified, and that's what we have been selling in the US.

Ravi Agarwal: But the capacity constraint so far that you have been facing was I believe on Lovastatin?

Ajay Bharadwaj: See Lovastatin and Simvastatin for the unregulated markets like India, for that we had a capacity constraint, but all the regulated markets the production goes from our own manufacturing.

Ravi Agarwal: Okay. So basically even for the European sales whatever raw materials were needed in terms of the intermediate being Lovastatin, you had your own production of Lovastatin.

Kiran Mazumdar-Shaw: Again we met with the requirements depending on which the markets were. In Eastern Europe we were using outsourced products, but for all the regulated markets where we have registrations, like where we have the certificate of suitability, those are all products made from our own manufacturing.

Ravi Agarwal: Okay thanks so much.

Moderator: Thank you very much Sir. Next is Mr. Sameer Baisiwala from JM Morgan Stanley.

Sameer Baisiwala: Good afternoon. This is just a clarification on the number that you indicated for monoclonal antibodies that about Rs 100 crore per indication. I just want to clarify, is that the peak sale that you are looking and then what's the timeframe that you are looking at?

Kiran Mazumdar-Shaw: I wouldn't think that this kind of number is attainable in about three years.

Sameer Baisiwala: Okay. And any indication that you can give us on the pricing of the drug or the patient population that you are looking at?

Kiran Mazumdar-Shaw: No, the patient population you can get some statistics in terms of, if you were to look at cancer patients, and I will leave it to AS Arvind to give you some idea about this market.

AS Arvind: There are two aspects to this. An adjuvant therapy to induce remission and there is also further indication, which would be to maintain them from getting the relapse back. So, if you take both these figures it will be a considerable number considering the safety profile of this medication and the beneficial effect it is having with radiotherapy and chemotherapy. So potentially a large number of patients can be given this therapy, it will run in several thousands I suppose, tens of thousands.

Sameer Baisiwala: I see. Okay and just one more point on this. Can I assume for the head and neck and for other indication as you mentioned that, current therapy in India is essentially chemotherapy and radiotherapy?

Kiran Mazumdar-Shaw: Yes, right now it is chemotherapy and radiotherapy. And what we are trying to do is to make it into a radio and antibody treatment and try and see if we can even avoid chemotherapy from a quality of life perspective. But even with chemotherapy this is a very good treatment and what AS Arvind is trying to say is its not just a one shot therapy like say chemo, this is actually a product that has got sort of a chronic use aspect to it, which basically is about managing the disease at a certain level. So it's a very interesting product.

Sameer Baisiwala: Okay. Thank you. And just one last question; you mentioned that the growth prospects in this FY06, for BioPharma business which would be the growth drivers?

Kiran Mazumdar-Shaw: Insulin.

Sameer Baisiwala: Okay. That will be otherwise for the statin range of products.

Kiran Mazumdar-Shaw: No, statins, insulin, and immunosuppressants definitely going to be the key growth drivers this coming year.

Sameer Baisiwala: Okay. Fine. Thank you very much.

Moderator: Thank you very much Sir. Next is Mr. Tarun Bhojwani, a private investor.

Tarun Bhojwani: Your proportion of the revenues, if I see the consolidated statement, the Biopharmaceuticals segment constitutes around 75%, enzymes roughly around 15%, and the balance is contract research. What do you think the way forward may be in 2005-06, 2006-07, how would the composition look like?

Kiran Mazumdar-Shaw: Very similar I would say.

Tarun Bhojwani: And talking about mainly the growth drivers, what would they be? Will this year be more in biopharmaceuticals?

Kiran Mazumdar-Shaw: No, I think that was not what we were saying. We said that within Biopharmaceuticals what the growth drivers are.

Tarun Bhojwani: So if we say that we will have the same composition would it mean that all the segments, biopharmaceutical, enzyme, and contract research would grow in the same proportion?

Kiran Mazumdar-Shaw: Yes.

Ajay Bharadwaj: I mean for the last two years also if you look at the information, it has been very similar.

Tarun Bhojwani: Yes, because your contract research actually is growing much faster than other two.

Kiran Mazumdar-Shaw: But it is a very small base. So from a percentage point of view you will see the same spread. In absolute terms, it obviously contributes a lot more.

Tarun Bhojwani: And actually I have also another point because your margins are very high in contract research, so my point was that if it is going to grow almost 70% next year suppose, would it significantly impact your margins?

Ajay Bharadwaj: No, it won't because the base is very small. So it will not significantly impact, but it will contribute.

Shrikumar Suryanaraynan::I think the correction is that the base is small in comparison to the rest of the business. It is not a small base per se, but when you take rest of our business it still forms a smaller percentage. At the same time, it's also growing quite rapidly. You are right.

Tarun Bhojwani: Yes, but I am confused here, one end we are saying that the proportion next year will be more or less same, other end we are saying, the contract research will almost grow at 70% while others will grow at 28-30%. Aren't we saying that the next year the proportion will significantly change because your 10% contribution will become a 15% contribution from contract research?

Kiran Mazumdar-Shaw: Yes, but we will be able to see very good growth. Equally we are also planning to make substantial investments in R&D. That is why you are going to see some, moderation of our profits.

Tarun Bhojwani: Okay, so you are saying the impact may not come on the bottom line so proportionately as what will come in the revenues?

Kiran Mazumdar-Shaw: Yes, but if you look at the operative level profits those will be definitely be significant higher.

Tarun Bhojwani: Okay, now again, the growth drivers slide 11, you have 6 growth drivers identified, do I assume that the contract research will include CRO and research services.

Kiran Mazumdar-Shaw: Yes.

Tarun Bhojwani: Okay, both these growth drivers will start clicking maybe somewhere in 2006.

Kiran Mazumdar-Shaw: Yes, that was clinic research.

Tarun Bhojwani: Yes, CRO as well as research service, both are categorized under contract research, right?

Kiran Mazumdar-Shaw: No, contract research is different and clinical research is different. If you look at the growth driver chart, actually the second, if you look at the chart, you will see that there is growth driver, which says CRO meaning Clinical development.

Tarun Bhojwani: In financials that is figured , in biopharmaceuticals or contract research.

Kiran Mazumdar-Shaw: It is under research services, you are right. Under contract research.

Tarun Bhojwani: And how about the research services, that is also…

Kiran Mazumdar-Shaw: Research is also, that is the Syngene business.

Tarun Bhojwani: Okay, but that will also figure in contract research, right?

Kiran Mazumdar-Shaw: Yes.

Tarun Bhojwani: So, what I am saying is, if you see the growth drivers, really you are taking about 2 out of 6 items will figure in contract research going forward.

Kiran Mazumdar-Shaw: Yes.

Tarun Bhojwani: Which means, maybe in 2007 or 2008, your proportion of contract research will be significantly higher.

Kiran Mazumdar-Shaw: That I really do not think so, because we are going to have other products also which will be significantly higher.

Tarun Bhojwani: Fine, Fine. That gives me an indication that going forward all the segments will grow substantially higher, right?

Kiran Mazumdar-Shaw: Yes, absolutely right.

Tarun Bhojwani: Okay. Thank you.

Moderator: Thank you very much Sir. Next is Mr. Madhusudan Bagree from Citi Group.

Madhusudan Bagree: Thanks for taking my question. I want to know what kind of economics are you sharing with your partners on some of these R&D deals that you have, if you want to share any of those?

Kiran Mazumdar-Shaw: Well, we can't really give you details but we do have a majority share.

Madhusudan Bagree: Through this deal that you have with the Cuban company, which are the markets that you have rights to?

Kiran Mazumdar-Shaw: With the Cuban entity we have rights basically for the South Asian market.

Madhusudan Bagree: Just South Asia. Any other markets?

Kiran Mazumdar-Shaw: And for of course the other products, we have worldwide rights.

Madhusudan Bagree: Which is the Vaccinex deal, right?

Kiran Mazumdar-Shaw: No, this is the **CMAB** deal. On Vaccinex we have global rights.

Madhusudan Bagree: On Vaccinex you have the global rights.

Kiran Mazumdar-Shaw: Yes.

Madhusudan Bagree: On the Cuban one you have just the…

Kiran Mazumdar-Shaw: In the Cuban one, we have worldwide rights for certain molecules, and for certain molecules Asian rights. And of course for the oral insulin we have global rights.

Madhusudan Bagree: That is your own product right?

Kiran Mazumdar-Shaw: That is also a co-development product with Nobex.

Madhusudan Bagree: Okay. And any indication on how you are sharing some of these costs on development?

Kiran Mazumdar-Shaw: Well we can't share that information with you.

Madhusudan Bagree: Okay. I understand. Thanks a lot Madam.

Moderator: Thank you very much Sir. Next is a follow up of Mr. Rahul Sharma from Karvy.

Rahul Sharma: Madam, will you please correct me that you all are looking at Rs 100 crore of monoclonal antibodies sales in the next couple of years?

Kiran Mazumdar-Shaw: Yes, I said over three years we are looking at that, you know, Rs 100 crore per indication.

Rahul Sharma: Per indication or is it the entire sales target that we have set ourselves.

Kiran Mazumdar-Shaw: Per indication.

Rahul Sharma: Okay, per indication.

Moderator: Thank you very much Sir. Next is a follow-up, from Mr. Kesvinder Singh of Span capital.

Kesvinder Singh: Can I have the break up of the Biopharmaceutical revenues in terms of statins, immunological's, and others.

Kiran Mazumdar-Shaw: I am sorry but that data is very commercially sensitive.

Kesvinder Singh: You gave that last year.

Kiran Mazumdar-Shaw: No, we did not give anything since the last one-year. This is something, which we have learnt not to disclose.

Kesvinder Singh: Okay fine.

Moderator: Thank you, very much Sir. Next is Mr. Chetan Sehgal from Templeton.

Chetan Sehgal: You used to release the US GAAP numbers, are you planning to release them this time?

Kiran Mazumdar-Shaw: We will be releasing US GAAP numbers.

Chetan Sehgal: Okay. Thanks a lot.

Moderator: Thank you very much Sir. Participant who wish to ask the questions, may please press *1. At this moment there are no further questions from

participants. I would like to hand over the floor back to Mr. Shiv Muttoo for final remarks.

Shiv Muttoo: Thanks. On behalf of the Biocon's management team, I would like to thank you for your participation. The transcript of this conference call will be available on Biocon's website in three working days for your further reference. Thank you once again for coming into the call, and over to the call moderator.

Kiran Mazumdar-Shaw: Okay, thank you very much.

Moderator: Ladies and Gentlemen, thank you for using WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.

-ENDS-