



“Ranbaxy Laboratories Limited’s Quarter & 15-Months  
Period Ended March 2014 Results Conference Call”

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Ranbaxy Laboratories Limited Quarter and 15-Months Period Ended March 2014 Results Conference Call. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Umang Khurana – Investor Relations, Ranbaxy Laboratories Limited. Thank you. And over to you.

**Umang Khurana:** Thank you. Hello, everyone, and welcome to the Ranbaxy Post Results Conference Call for the Quarter and 15-Months Ended March 2014. As you may know, the company has moved from calendar year to financial year, thus the 15 months. In the future our accounting year will be the financial year that is April to March.

Earlier in the day the company issued a press release detailing the financial results for the quarter and the 15 months ended March 2014. The press release and the presentation that the management will discuss with you now will be uploaded on the company website for your reference shortly.

On the call with us today we have Mr. Arun Sawhney – CEO and Managing Director of Ranbaxy who will be the first speaker. He will discuss the highlights of the company performance; Mr. Indrajit Banerjee – CFO and President of Ranbaxy will be the next speaker. He will detail the financial performance of the company. Post the presentation we will be happy to take your questions. We have budgeted an hour for the call and the questions today. Over to you, Mr. Sawhney.

**Arun Sawhney:** Thank you, Umang. Good Day, everyone and thank you for joining us on the 'Investor Call' to discuss the January to March Quarter and 15 Months Ended March 2014 Financial Results of Ranbaxy. Sales during the quarter were Rs.24.36 billion. Sales during the quarter were primarily impacted by the voluntary suspension of API shipments from our Dewas and Toansa API facilities. This voluntary decision was taken as a precautionary measure and out of abundant caution to better allow the company to assess and review the processes and controls. Despite the manufacturing and related concerns in the quarter, EBITDA margin for the quarter were over 6%. The company achieved its sales guidance of Rs.130-135 billion for the 15 months period by returning sales of Rs.130.4 billion. Sales excluding first-to-file and authorized generics continued to grow over the corresponding quarter last year. The company continued to focus on Branded business in the emerging markets as well as strengthen its presence in the USA market. EBITDA margins in the period were over 9%. Base business EBITDA continued to grow during the period.

Focus on performance of key products and measures to control costs continued during the period. Absorica that was launched by Ranbaxy in end of 2012 continues its strong growth with more than 22% market share currently.

Branded sales including OTC were Rs.13.2 billion for the quarter and Rs.64 billion for the 15-month period while Generic sales including API were Rs.11.2 billion for the quarter and Rs.66.4 billion for the 15-month ended March 2014. Sales in the major markets including USA, India, West Europe and LATAM grew over the corresponding quarter last year. Overall sales growth was impacted by relatively slower sales in East Europe, CIS, Asia Pacific, Africa, and Middle East led by internal supply concerns arising out from our API facilities. Primary sales in India continue to grow over the corresponding quarter last year. Business performance in the USA was helped by strong growth in Absorica sales. LATAM performance was helped by growth in Brazil.

With regards to other significant developments during the quarter 37 dosage form filings were made across the globe and approvals were received for 22 dosage form filings. During the quarter the company received approval to market RAN-Donepezil in Canada. Donepezil is indicated in the treatment of dementia in Alzheimer's patients. The company also entered into a licensing agreement for a biosimilar version of Infiximab used in the treatment of rheumatoid arthritis. The product will be introduced in India and other emerging markets. Currently, there is no biosimilar of Infiximab approved in India.

All obligations with regard to consent decree have been met, and there is no delay in the same. The company continues to review the CD for its commercial benefit.

On the 'Financial' side with respect to derivatives position, the total leveraged position at the end of quarter was \$568 million down from \$665 million from the preceding quarter, on an average around \$33 million issuer every month. The run rate is expected to contract further in the coming quarters. Net debt for the quarter was \$832 million.

Now, we look at 'Sales Performance.' As I mentioned earlier sales for the quarter were Rs.24.4 billion. Sales during the quarter grew in the markets of USA, India, West Europe, and LATAM led by supply concerns. Business performance was relatively weaker in East Europe, CIS, Africa, and APAC. Sales during the 15-month period ended March 2014 were Rs.130 billion.

Let us move on to the 'Regional Sales' details: North America sales was Rs.8.4 billion, a growth of 13% over the corresponding quarter last year. USA business sales for the quarter were Rs.7.7 billion, up from Rs.5.7 billion due to high traction from Absorica. Market share of Absorica is currently over 22% as per IMS. Base business sales in the USA grew over the corresponding quarter last year. Sales for the 15-month period were Rs.42 billion, of which USA sales were Rs.37.5 billion.

Coming to 'India' sales for India were Rs.5.5 billion during the quarter. The Indian Pharmaceutical market showed signs of recovery post the pricing policy and related trade challenges while for the quarter some inventory covering led to the impression of relatively muted performance. Sales for the 15-month period were Rs.28 billion.

Moving on to East Europe and CIS, Ranbaxy continues to maintain leadership position in its represented markets of Romania and Russia. The sales in the region were adversely impacted due to adverse foreign exchange rate movement. During the quarter, sales in the region were Rs.3.8 billion, of this, Romania sales for the quarter were Rs.1.8 billion, and sales in Russia were Rs.1.1 billion, impacted by a low cold season. Sales during the 15-month period were Rs.20 billion; Romania sales were Rs.8.8 billion and sales in Russia were Rs.6.5 billion.

Coming to 'West Europe' sales in West Europe were Rs.2.5 billion for the quarter on the back of better sales in the United Kingdom led by MHSI. The company is focusing on improving its profitability in the regions even as macroeconomic indicators continue to be a challenge for the business environment in the region. Sales during the 15-month period ended March 2014 were Rs.10.8 billion.

Coming to 'Asia Pacific and Latin America,' the region had sales of Rs.1.5 billion for the quarter. Sales in APAC including Sri Lanka were Rs.995 million, LATAM was Rs.552 million. Quarterly sales are not like-to-like as the current quarter was impacted due to change in business model in Thailand, where Ranbaxy will now work with Daiichi Sankyo as a front end team. Malaysia sales were muted due to loss of some tender opportunities in the country. The quarter saw strong sales growth in Australia and Brazil. Sales in Japan and China were Rs.43 million for the quarter. Sales during the 15-month period were Rs.9.2 billion, APAC sales were Rs.6.3 billion, and sales in LATAM were Rs.2.9 billion.

Moving on to 'Africa and Middle East' sales for Africa and Middle East region for the quarter were Rs.2 billion impacted by reduced tender quantities. Sales for the 15-month ended March 2014 were Rs.13 billion. The company continues to invest in manufacturing infrastructure in this region. Sales for the API and other business categories were Rs.557 million for the quarter impacted as a result of the halt in shipment from Dewas and Toansa. Sales during the 15-month period ended March 2014 for this business was Rs.7.5 billion. From here I request Indrajit to take now you through the financial performance for the quarter. Over to you, Indrajit.

**Indrajit Banerjee:**

Thank you, Arun. Good day to everyone on the call. I will take you through the salient highlights of the results. Sales for the quarter ended March 2014 as mentioned earlier was Rs.24.36 billion compared to Rs.24.11 billion in the corresponding quarter ending March 2013. Sales for the 15-month period ended March 2014 were Rs.130.4 billion. Other operating income was 307 million in the quarter while for the period ended 15-month it was Rs.2282 million. Material consumption was Rs.9.25 billion in quarter ending March 2014 and Rs.48.28 billion in the 15-month period ended March 2014. Consumption as a percentage of sales was affected due to the voluntary shutdown that has been mentioned earlier. Employee costs were Rs.4971 million in the quarter against Rs.4862 million in the previous year's corresponding quarter. Employee expenses as a percentage of sales were 20.4% which is in line with the corresponding quarter. For the 15-month period ended March 2014 employee costs were Rs.25.77 billion. Depreciation, amortization and impairment for the quarter were higher at Rs.953 million Vs Rs.797 million in the corresponding quarter of the previous year. Other

operating expenses and claims paid amounted to Rs.8.94 billion in the quarter and Rs.48.05 billion in the 15-month period ending March 2014 which when compared to the percentage of sales is in the range of 36-37% in both periods. This includes higher CD related remediation expenses incurred during the quarter and during the 15-month period as well.

Interest and other income was lower at Rs.237 million in the quarter Vs Rs.634 million in the corresponding quarter of the previous year, mainly on account of interest income on a lower level of deposit that was carried during the current quarter. Finance cost for the quarter was higher at Rs.1136 million versus Rs.525 million in the corresponding quarter of the previous year, mainly because of higher exchange loss and highest level of borrowing. FOREX loss as you know is apportioned to financing cost in accordance with the current accounting standards.

The closing dollar/rupee exchange rate was 59.76 as on 31<sup>st</sup> March 2014 Vs Rs.54.31 as on 31<sup>st</sup> March 2013; it was Rs.61.81 as on 31<sup>st</sup> December 2013. The average dollar/rupee exchange rate for the quarter was Rs.61.76 Vs Rs.62.05 in the preceding quarter ended December 2013 and it was Rs.54.15 in the corresponding quarter-ended March 2013. Foreign exchange gain of Rs.15-16 million in this quarter that is quarter-ended March 2014 has been recorded and is shown below the EBITDA line under the exceptional items, and this is mainly because of the gain in the exchange rate that occurred during the quarter.

The company recorded a net profit before tax of Rs.297 million after providing for additional cost of stock write-off and other costs as was mentioned earlier of Rs.583 million pursuant to certain inventory write-down and that was taken during the quarter as well as the impairment of goodwill of Rs.438 million in some of our subsidiaries as well as in our associate company. These are exceptional items in the current quarter.

Tax for the quarter ended March 2014 and for the 15-month period ended March 2014 represents mainly tax paid on our profitable entities in US, Romania and certain other countries outside India. EBITDA for the quarter was recorded at Rs.1491 million for the quarter and Rs.9732 million for the 15-month period ended March 2014. The quarter's EBITDA was 6% of sales for the quarter and about 7.5% of sales on a cumulative 15-month basis. These are of course after the remediation expenses that have been charged during the quarter which was mentioned earlier. With that I hand it back to Umang.

**Umang Khurana:** We will now open the floor for the questions.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. We have the first question from the line of Chirag Talati from Espirito Santo. Please go ahead.

**Chirag Talati:** Just a couple of questions on the transaction – if I read your press release carefully about the acquisition it says that there is no SEBI approval required, but under the “SEBI 2013 Regulations” can you clarify whether you need minority shareholders approval for the transaction to go through with Sun Pharma?

- Indrajit Banerjee:** According to our understanding of regulations today, the transaction requires 75% approval of all the shareholders, and therefore we are proceeding on that basis.
- Chirag Talati:** That is interesting because our understanding was that it has to be approved by SEBI using the minority shareholder route, but I presume you do not believe that is the case?
- Indrajit Banerjee:** That is right, we do not believe that.
- Chirag Talati:** I also notice that Daiichi is providing an indemnity to both Ranbaxy and Sun. So it does appear to me that this is also a related party transaction if the indemnity is to Ranbaxy. Under Sec. 188 do you really require an approval for this to go through?
- Indrajit Banerjee:** We are not in a position to comment on this. We have mentioned what we believe is our understanding of the process and the procedures which has been enshrined in the press release that we have given and according to the regulations today we will submit the scene to the stock exchanges and it will go its normal course through the stock exchanges and thereafter to SEBI, and we will follow the procedure as it has been laid down under the regulation.
- Moderator:** Thank you. The next question from the line of Girish Bakhru from HSBC. Please go ahead.
- Girish Bakhru:** Just required clarity in terms of showing expenses related to Mohali, Toansa and Dewas, where are they reported in the P&L?
- Indrajit Banerjee:** It is noted in the press release that we have given – if you look at the exceptional item there is an item there, and if you look at Note #3c it is mentioned there; 3c is mainly relating to Dewas and whatever is related to Toansa is contained in exceptional items as we mentioned.
- Girish Bakhru:** So this Rs.273 crores charge all this is in the exceptional and nothing has been taken from the sales, is that correct impression?
- Indrajit Banerjee:** Nothing has been taken from sales, but the Dewas amount is there in the other expenses ....
- Girish Bakhru:** Rs.424 million you mean to say?
- Indrajit Banerjee:** Yeah, that is right.
- Girish Bakhru:** Is that part of this quarter – 3a Rs.695 million cost?
- Indrajit Banerjee:** We will just get back to you on this one.
- Girish Bakhru:** I will take up with Umang after the call. On the status with the progress on the FTF specifically to Nexium any comment though there have been lot of noise regarding certain parties really pressurizing FDA to declare the status of Ranbaxy FTF, and there have been lot of frustration among certain generic players in the US, any comment there?

- Arun Sawhney:** I think we continue to believe that we will be retaining all our pending exclusivities.
- Girish Bakhru:** Any update you can throw on whether you were able to re-file Nexium with a separate partner and if you can really meet the deadline?
- Arun Sawhney:** At the moment I can only share with you that we believe we are retaining all our pending exclusivities and we will limit our comment to that.
- Moderator:** The next question from the line of Hemant Bakhru from CLSA. Please go ahead.
- Hemant Bakhru:** Mr. Sawhney, did Ranbaxy basically go through a sale process -- were there other suitors in line or was Sun just a direct party to the deal?
- Arun Sawhney:** Sun had approached Daiichi Sankyo and eventually the whole development also came to Ranbaxy board which made an assessment of the fairness in the whole valuation and that is how the deal progressed.
- Hemant Bakhru:** Basically, none of the other generic players really saw or had the opportunity to bid for the deal or bid for Ranbaxy per se, right?
- Indrajit Banerjee:** I do not think it is appropriate for us to comment on this one. As Mr. Sawhney said, the other party approached Daiichi Sankyo and subsequently there was a proposal for the Ranbaxy board to consider and evaluate, and Ranbaxy board after consideration and evaluation, they gave their views on the appropriateness and the fairness of the offer made, and that is how the transaction evolved.
- Moderator:** Thank you. The next question from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.
- Anubhav Agarwal:** One question on Dewas. Mr. Sawhney, why stop all API production now -- what was the trigger which led to this decision?
- Arun Sawhney:** Like I mentioned in my note earlier in the previous quarter that we wanted to take stock of the adequacy of controls in our processes and documentation and that was the reason why we voluntarily; this was not triggered off by any regulatory agencies. This was a voluntary measure that we took to ensure ourselves of adequate controls in our processes and documentation.
- Anubhav Agarwal:** It is a very drastic step that has been taken, all things have been stalled. Did you find something internally in the process that was very basic issue with all?
- Arun Sawhney:** I think we did face a very drastic situation in our Toansa facility after the US FDA inspection. We just wanted to make sure that we have adequacy of controls in our processes and documentation throughout our API manufacturing.

- Anubhav Agarwal:** One more clarity on the same issue – when you stopped production do you take assurance from your partner that after certain point of time you will get back the market share or you have to completely rebid for the entire phase again?
- Arun Sawhney:** We took judicious measures as we could in the circumstances relating to our business.
- Anubhav Agarwal:** Your US sales declined sequentially. Of course, this is the first quarter where impact of Toansa comes in the US. Just wanted to get a clarity, that was Toansa the entire reason for the sales decline sequentially which declined by almost \$22 million or the entry of more generic players was also the reason why sales decline was so sharp?
- Arun Sawhney:** The decline in the US is primarily on account of Toansa only, otherwise the business in US is very vibrant, Absorica has done well, and all the other local US business has done exceedingly well.
- Anubhav Agarwal:** I remember last quarter you mentioned the Toansa impact is about \$60 million for you, but now is the entire impact is because of Toansa then we are talking about more than \$80-85 million impact from Toansa?
- Arun Sawhney:** In the last conference call I mentioned that around 10% of the US business was dependent on Toansa. That is what I have mentioned.
- Anubhav Agarwal:** That is exactly about \$55-60 million, right?
- Arun Sawhney:** On annualized basis, yes.
- Anubhav Agarwal:** But the sales impacted for you sequentially is about \$22 million?
- Arun Sawhney:** I was commenting on quarter-on-quarter. Sequentially we will have to see the product wise sale which I do not have the ready analysis in front of me. May be Umang you can look into this and clarify. Let me assure you the base business on all our molecules is quite robust and going well.
- Anubhav Agarwal:** Just a clarity, Indrajit, employee expenses were down sequentially about 9% and they are up like 2% year-on-year. Was that driven by let us say gratuity revaluation or something like that?
- Indrajit Banerjee:** As is usual at the last quarter, we do an actuarial valuation of the various employee benefit related scheme like gratuity, pension, etc. and as a result of that we had some right back of provision.
- Anubhav Agarwal:** They should normalize probably in the next quarter then, right?
- Indrajit Banerjee:** Yes.
- Moderator:** The next question is from the line of Bino Pathiparambil from IIFL. Please go ahead.



- Bino Pathiparambil:** First, is there any development on the US FDA front from the last quarter Conference Call till now, in terms of resolution steps taking towards the solution or any kind would be meaningful communication, any development in the last three months?
- Arun Sawhney:** I know the remediation measures or the obligations inbuilt under the CD; they are progressing as per plan.
- Bino Pathiparambil:** No major milestone per se?
- Arun Sawhney:** Yes.
- Bino Pathiparambil:** Second, in the Joint Conference Call with Sun Pharma, you had mentioned that there will be an integration committee that would be setup right away, which will work on integration while the deal is still being closed. So has that already been formed, and has something started working in that section?
- Arun Sawhney:** Discussion to go ahead with planning for integration have begun between the two companies.
- Moderator:** Thank you. The next question is from the line of Gaurav Pathak from Standard Chartered Securities. Please go ahead.
- Gaurav Pathak:** My question is a follow-up to the previous question regarding the merger – I just wanted to understand how was the fair value determined and how did we agree to this valuation?
- Indrajit Banerjee:** That was a normal process as is usually followed. The Board of Ranbaxy appointed independent valuer to give their opinion on what the value is, and they also appointed merchant banker, which is ICICI Securities in this case to give their opinion on the fairness of the valuation. So based upon the advice of the two external agencies that the board had appointed, they came to their view with regard to the fairness of the valuation. That is how it was done.
- Gaurav Pathak:** Who was the independent third-party to evaluate the transaction?
- Indrajit Banerjee:** The independent valuer was Walker, Chandiook.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** On the base that you have hit in this quarter or you talked about certain sales to Europe and all were getting resumed from Toansa, so when do you see normalization to the sales really coming through going forward?
- Arun Sawhney:** I think we should see that improvement coming in the current quarter and stabilize them in the quarter after that.

- Nitin Agarwal:** \$10-12 million per quarter of sale that you lost in U.S., that loss will remain for some time or you believe...?
- Arun Sawhney:** Like I said in earlier calls also that we had 2-3 years ago already started to work on strategies to develop alternate sources and some of that will see it through and place us in good stead even in the US.
- Nitin Agarwal:** Mr. Sawhney, if you can give us the sense of the ANDA filings that you have right now, the number of filings that you made during the year and the number of pending filings that you have as of March end in US?
- Arun Sawhney:** For the period-ended 15 month, we have made 10 filings in the U.S., and on the total number of pending applications I think Umang will get back to you.
- Moderator:** Thank you. The next question is from the line of Alok Dalal from Motilal Oswal. Please go ahead.
- Alok Dalal:** The OTC business in India has declined for the first time in the last many quarters. Any particular reason for that?
- Arun Sawhney:** We are also looking into it. I think it is a blip where there is no trend to be seen, no notice in that. It should spring back in Q2.
- Alok Dalal:** Because this is dependent on two brands largely, so is this seeing some kind of a base effect impact coming in?
- Arun Sawhney:** I think that these two brands have a lot of growth still left in them.
- Moderator:** Thank you. The next question is from the line of Chirag Talati from Espirito Santo. Please go ahead.
- Chirag Talati:** What happens to all the stock options that were granted to Ranbaxy management post the merger -- do they get converted into shares?
- Indrajit Banerjee:** As is usual for transactions of this type, they transform into the shares of the successor entity.
- Moderator:** Thank you. The next question is from the line of Anmol Ganjoo from JM Financial. Please go ahead.
- Anmol Ganjoo:** In your opening comments you said that the transaction does not require SEBI approval. I was just looking at the press release; it says that because the losses in four years have exceeded 50% of peak net worth, the company has become potentially a sick company. So the fact that you would not require SEBI approval, does it have to do something with the Sick Industrial Companies Act 1985, and would that have any implications also for a potential CCI approval?

- Indrajit Banerjee:** Let me answer the SEBI part – this transaction will go to SEBI, this would go from the stock exchanges to SEBI, and our reading of the regulations today is what we had earlier said that it needs 75% approval of all shareholders and that is what our understanding is. Your second question, you are talking about CCI is it?
- Anmol Ganjoo:** So basically the implications of the fact that technically the company has become potentially sick under Sick Industrial Companies Act and you sought requisite compliances. So what is the import of that?
- Indrajit Banerjee:** To the best of our understanding, they do not have any linkage between the two, and that is two separate provisions, and the merger process will follow the route laid down so far as the stock exchanges and SEBI is concerned, and the other one is a completely different act and it is down by different act altogether. That is our understanding.
- Moderator:** Thank you. The next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.
- Ranjit Kapadia:** My question relates to domestic market – whether the trade margins in the domestic market has been increased for the wholesalers and retailers? And my second question relates to the price increase for the domestic business for the price control and product outside price control. How much is the price increase taken in both the categories?
- Arun Sawhney:** The trade related issue I think was settled in the last quarter already; we have already commented on it, we do not have any new comments on that. On the price increases we do not give details of product wise price increases or prices that we have established. If you are interested in what are the product wise prices are I think separately offline Umang can give you those details.
- Ranjit Kapadia:** Have we taken the price increase recently in the month of April?
- Arun Sawhney:** Separately product wise prices if you are interested in, Umang can provide you the details.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.
- Prakash Agarwal:** A question just one clarification basically you spoke that there would be impact of Toansa, but if I see the impact in Africa, LATAM markets impact has been quite big, is there more other than Toansa that we should look at?
- Arun Sawhney:** For the core business, primarily I think Toansa and for some of the African markets, ARV business is dependent on tender, so from year-to-year you will see certain variations in our tender relating business. But the core business in several of geographies, several of the countries is pretty vibrant and growing. The only impact the core business has felt so far is the limitation of supplies on account of API from Toansa.

- Prakash Agarwal:** And in your opinion, this could continue for a couple of quarters or may be more?
- Arun Sawhney:** I think we should make some headway this quarter and stabilize by the next quarter.
- Prakash Agarwal:** Would you be able to share R&D as a percentage to sales for the quarter or for the year and also some color on the ten filings, which categories or therapies or which segments you are filing in?
- Indrajit Banerjee:** R&D as a percentage to sales in this quarter is about 4.5% and the year as a whole was a little over 5%.
- Prakash Agarwal:** And the second part of this question was the ten filings that you made, could you broadly give some colors where were the filings made -- are these largely the Orals or the Complex Generics, Injectables or which categories?
- Arun Sawhney:** Oral.
- Prakash Agarwal:** Some color that they would be what limited competition kind of products or?
- Arun Sawhney:** To our belief, there would be few products with limited competition.
- Prakash Agarwal:** Absorica you had there was just to believe that Ximino which is also a similar kind of product in the Derma space would also come through, what is our sense on this product, please?
- Arun Sawhney:** I think you should see Ximino coming through either late 2014 or early 2015.
- Prakash Agarwal:** And lastly, if you could give us what is your field force in the India market today?
- Arun Sawhney:** When you say field force, you want the entire force or only the foot soldiers?
- Prakash Agarwal:** Yeah, the foot soldiers and if you could give both?
- Arun Sawhney:** It is 4800 and 6000 if you want both the figures.
- Prakash Agarwal:** In the U.S. because of your branded Derma?
- Arun Sawhney:** That is mostly outsourced, so that depends on what are the scale of business the targets that we set.
- Prakash Agarwal:** Understanding Absorica better, (22% of the market); if I see the market and our pricing, so our pricing is higher than the Generic market. Do we do two times of the market and then take out the sales or could you help us guide through how should we look at this product?
- Arun Sawhney:** I think we only give consolidated projection for Absorica; we do not give either volume or price details.

- Prakash Agarwal:** But, in your sense we have now stabilized with this market share or we do expect more better performance going forward?
- Arun Sawhney:** I think in terms of volume you should consider that to be stable, and we would be of course interested in seeing how we can even improve that market share, but you should consider that to be pretty stable down from here.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** In the past you talked about development programs along with partners for the global markets. Can you sort of indicate broadly what are the kind of nature of the R&D programs that you running with some of the partners?
- Arun Sawhney:** Several of them. We are running on delivery systems in Derma space. We are also running co-development, we are running in-licensing BD like you have seen in Infiximab, and we are doing core development. So there is a plenty of variety in which we are doing external alliancing of products under development.
- Nitin Agarwal:** And in terms of the maturity of some of these alliances, are there products which are close to commercialization over the next 18-24 months?
- Arun Sawhney:** Infiximab we should be launching in the coming quarter, but I think you should expect there should be a stream of such products coming in every quarter a couple of them or something like that, either through an alliancing in deal or making submissions of differentiated product through core development efforts.
- Nitin Agarwal:** But are these alliances largely towards dedicated to India or they are probably more developed market focused?
- Arun Sawhney:** All over.
- Moderator:** Thank you. The next question is from the line of Gaurav Pathak from Standard Chartered Securities. Please go ahead.
- Gaurav Pathak:** Just in case you don't get 75% approval, then what is the next step? Sun would have to come out in the open and bid for the company?
- Arun Sawhney:** I think we are very confident 75% approval will come through; we are working on that basis.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.
- Prakash Agarwal:** Just wanted to understand this year is there any guidance you are providing?

- Arun Sawhney:** No, not at the moment.
- Prakash Agarwal:** But would it be fair to understand what the costs related to US FDA would continue for this year as well and end of fourth year beginning fifth year of the consent decree you would see gradual cost down or how should we look at the cost piece?
- Arun Sawhney:** I think what we should look at is we will be more efficient in our cost management going ahead, that is the promise we have made every half yearly tranches we should see more efficiencies coming in the way we are going to manage our cost.
- Prakash Agarwal:** And on the India Formulation business, would you be able to talk about the generic generics and the branded generics, so what part of your business would be generic generics today and how do you think this business would grow?
- Arun Sawhney:** We do not give product category wise breakup and will remain in that way.
- Moderator:** Thank you. The next question is from the line of Surajit Pal from Prabhudas Lilladher. Please go ahead.
- Surajit Pal:** I observe this commentary from Ranbaxy that despite having very few products launched in the last three, four years except a product like Absorica or one-one product in every year of FTF, management maintains that their growth in base business in US remains strong and getting good growth traction. If I just observe your peers from India or the global generic market, they are facing quite a stiff competition in older generics, and I believe you have considerable contribution of older generics, like if I go by a percentage of contribution. So I just wonder what are the sources of your older generic business has a high contribution where you are maintaining quite a good growth rate in your US generic, removing Absorica. I need to know what could be the strategy because I believe you do not have much of complex generic. So in that case what are the strategies you have taken by which you are maintaining such a good traction in growth?
- Arun Sawhney:** It is a combination of portfolio and I think above all it is the customer relationships that we...
- Surajit Pal:** Given the generic where hardly you have much of chance to make a differentiation I just need to understand what are the product profile you are talking in terms of therapeutic area?
- Arun Sawhney:** That is why I have said; I am not talking of differentiated products, I am talking about the portfolio; the portfolio that we have and the customer relationship that we have built over the years, I think they are keeping us in good stead.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

- Nitin Agarwal:** Mr. Banerjee, on this SG&A expenses, we have seen a sharp reduction Q-o-Q, is there any specific thing driving that reduction?
- Indrajit Banerjee** There has been, as Mr. Sawhney said earlier, that there has been a major control over cost and expenses. So that has been an effort on the part of the company. And if you look at the other operating expenses, yes, it has come down on a sequential basis.
- Nitin Agarwal:** We have not seen this happening overall these quarters and there is a pretty sharp reduction. So, what will you change this quarter for this trajectory to change all of a sudden?
- Indrajit Banerjee** This is a consequence of various measures taken by the company in trying to control expenses and there has been somewhat of a reduction in the cost of remediation expenses as well during the quarter.
- Nitin Agarwal:** So this is like a sustainable base for you going forward?
- Indrajit Banerjee** We do not want to comment on that, but in this present quarter, yes, there has been significant reduction.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, no further questions can be taken. I now hand the conference back to Mr. Umang Khurana. Over to you.
- Umang Khurana:** Thanks you everyone for coming on the call and have a good day.
- Moderator:** Thank you. On behalf of Ranbaxy Laboratories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.