

**Q1 POST RESULTS, CONFERENCE CALL
JULY 28, 2003**

Moderator: Good evening ladies and gentleman. I am Monali the moderator for this conference. Welcome to Sun Pharma's first quarter post results conference call. Mr. Sudhir Valia of Sun Pharma is your call leader today. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for international participants connected to SingTel. After that the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Sudhir Valia of Sun Pharma. Thank you and over to Mr. Sudhir Valia.

Sudhir Valia: Thank you Monali. I welcome all the participants joining us at first quarter post results conference call. The way we will handle this call is I will share the financial highlights and operational issues, and Mr. Shanghvi will share the strategic aspect. After that we will be open for questions.

For the first quarter our turnover grew by 13% over the last year same quarter. Net profit increased by 14% over last year same quarter. In line with our shared objectives, exports are growing and formulation exports are growing much faster than rest of the business. The increase in the net profit on quarter-on-quarter basis despite increase in the R&D expense is reflective of an increase in international formulation business and better margins on bulk sales to regulated markets.

Exports, both formulation and bulk accounted 21% of the sales formulation accounted 67% of the sales and bulk active accounts for 33%. So domestic formulation sales grew by 2% on similar quarter comparison.

As per the June ORG data, the growth for the company is 14.3% as against 4.1% for the market. Market share has moved up from 2.8% last June to over 3% now. Our domestic formulation business after factoring the subsequent month sales, which we had told you about earlier, is in line with reported number.

Our core therapy areas, psychiatry, neurology, cardiology, diabetology, and gastroenterology accounted 72% on the domestic formulation sale and these segments growth is in the range of 17 to 20%. Among the newer therapy areas, we have made significant inroads with chest physicians, oncology, and dermatology in terms of rank increase with specialist as per the C-MARC from November to February 2003.

Export formulation continued to do very well, continuing the turnaround we had in last quarter, growth for the first quarter was 56% over similar quarter last year, which means we are keeping up the pace of formulation exports growth. We have also continued to invest in international market both registration and brand building promotional activities.

Net margin for the first quarter was 25% as it was last year and in the immediate previous quarter it was 31%, which as you all know is disconnect on account of the extra booking of the sales that we have done last quarter, which we had shared with you where the cost was associated with the sales and the other incidental expenses which were reflected only in the first quarter. In our estimate about 60% of this excess sales has been liquidated at the secondary level so far, and the rest will be sold this quarter. We are on track for margins at

about 26% for the year, which we have shared with you earlier. We continue to focus to control inventory and debtors seriously for the task of further improving these numbers.

The tax including the deferred tax is 46.2 million for the quarter as against 50.2 million last year same quarter. The net interest income is 29.1 million for the quarter as against 12.4 million for the same quarter last year.

R&D focus continued in the quarter, the revenue R&D expenses increased from 61 million to 91 million. Margins were maintained at the net level even after increased R&D expenses. R&D total expenditure for the quarter was Rs. 262 million versus Rs. 136 million; as you know we are also building two new research sites, which are almost ready to be commissioned. EPS is 5.9 up from 5.1 last years it quarter and compares well with the exceptional Rs. 7.9 posted for the fourth quarter of March 03.

During the course of the period a number of interesting new products were introduced across the marketing division. Pantocid, Clopilet, Result among the product on our recent introductions list continued to be growing at healthy rates and rank amongst top 15 brands few years after launch. Interesting bulk actives are introduced so far this year. Some of these have found buyer interest in Latin America and Europe, and for some of the interesting product we would be filing DMF. With summing up of the performance I will now ask Ms. Shanghvi to outline the strategies.

Dilip Shanghvi:

I welcome all of you to the first quarter results conference and I thank Mr. Valia for his dissection of numbers.

I will share some of my strategy going forward with you and this necessarily is in line with what I have shared with you in the past. But before I begin I would like to share with you about one more ranking. Business Today judged Sun Pharma amongst India's best-managed companies as per the AT Kearney survey. We feature among this select list of 16 companies across all sectors and are amongst only two pharma companies that are rated there. Credit goes to team at Sun Pharma for this achievement.

Research and international markets are two primary focus areas and I will take your permission to update you on these two issues. If you look at the numbers this quarter in the international formulation market our strategy of concentrating on 30 key products for our core markets seem to be working. We have posted a 56% growth this quarter over similar quarter and for the year we are confident of posting a 40% growth for our formulation export business. Of course all of you are aware that Caraco numbers will be consolidated with our numbers from March 2003. Caraco is on track to post a sale of USD \$35 million for this calendar year. They have recently announced first half numbers with sales in excess of \$20 million up from \$8.9 million last year. Profit after tax of \$6.5 million up from loss of \$2.5 million. These are satisfactory numbers and we continue to be optimistic about opportunities in the US market. Given the current market cap at Caraco of close to \$250 million, our initial investment even after providing for guarantees and our investment will produce a reasonable return on capital employed. We know going forward this return will become substantially more attractive in line with return on capital employed that we have for Sun Pharma for rest of our businesses. We continue to file drug master files, certificate of suitability, as well as ANDA applications for regulated markets. Four drug master files have been received and for three of these metformin, metoprolol, and tramadol, Caraco has started sourcing bulk, which offers them a competitive price advantage.

In research the construction at two R&D sites one at Bombay and one at Baroda is on schedule and we will commission part of this facility by this year-end. We are continuing to recruit people for expanding both our chemical entity, and novel delivery system research groups, so that we can focus on key therapy segments that we are working on at the same point of time we are quite happy with the progress that we are making on delivery system based products, and they are progressing quite satisfactorily.

In the domestic market we are growing at close to 15% even though there is significant increase in competitive pressure in the domestic market. We remain reasonably comfortable with our projection of 15% growth in domestic formulation business for this and next year. We continue to focus on operations and we expect to regain the kind of control that we had earlier and may be we even improve on this going forward. Now that our US operation has been streamlined, our focus for the success in European business is our next strategy focus. I shall defer any part of this strategy discussion at a later point of time. With this I would like to leave the floor open for questions in case I can clarify any of your doubts. Thank you.

Sudhir Valia: Monali you can take over for the questions.

Moderator: Yes sir. Thank you very much sir. We will now begin the Q&A interactive session for participants connected to CyberBazaar India. Participants who wish to ask questions please press *1 on your touchtone enabled telephone keypads. 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. First in line we have Mr. Pawan from SSKI.

Pawan: Yes hi, sir few of questions on the financial first. This manufacturing share of income from 42 million that is there in the P&L, should we assume this is sustainable?

Sudhir Valia: Yes, Sun Pharma has divested certain business and new business in the partnership firm, which was the same as original business and this is the first year we commissioned the factory so it will be there for all the four quarters and the subsequent year also.

Pawan: Okay, any particular reason for having this partnership model you know in terms of the structure of that entity.

Sudhir Valia: It is a more tax efficient structure and definitely keeping in mind with rewarding employees in a better manner.

Pawan: Okay and I also see there is a sharp rise in staff cost would that be some bonus or is it like you know should that be repeated going forward the numbers?

Shanghvi: I think as I explained we are hiring additional people for R&D, we are also expanding our international business, I think this is reflection of it.

Pawan: That is nice and what about the tax rates they seem to be low as compared to the previous year period I mean 8% as against 9.4% or is it just that time difference or something you know it could get adjusted to later quarters or something.

Sudhir Valia: No this is infact based on the current tax liability, which has been worked out.

Pawan: Okay and then I wanted to understand something in terms of Caraco. What was the kind of ANDAs Caraco filed or the technology transfers from Sun this quarter?

Shanghvi: Not yet, this quarter no ANDA has been filed.

Pawan: Okay and we plan to file four for the full year.

Shanghvi: Correct.

Pawan: So in the first half there is not a single ANDA that has been filed.

Shanghvi: That is correct.

Pawan: Okay and so we should assume that in the second half.

Shanghvi: There will be filings.

Pawan: And the profits would be much lower because they have got to account for the, you know,

Shanghvi: The non-cash R&D cost, yes.

Pawan: Okay fine and so what about you have given guidance in terms of your growth for the domestic business, formulation exports, any guidance for the bulk exports?

Sudhir Valia: I think we have also given that close to 20-25%.

Pawan: 20 to 25%.

Sudhir Valia: Yes.

Pawan: Okay sir fine thank you.

Moderator: Thank you very much sir. Next in line we have Mr. S. Ranganathan from LKP Shares.

S. Ranganathan: Congratulations on a very good set of numbers. Sir my question is could you share some information regarding your R&D initiative in new chemical entity and novel drug delivery system with us?

Shanghvi: What would you like, that is a really large open-ended question. So what specific information do you want?

S. Ranganathan: In the field of NDDS what are the initiatives one can look forward to in the next couple of years from Sun Pharma.

Shanghvi: No, we have shared with investors that we are focusing on four broad platform technologies, one is targeted drug delivery system, then biodegradable injectable system, dry powder inhaler system, and control release oral product, these are the four technology platforms on which we are working.

S. Ranganathan: Okay and could you share some of the, you know, progress made in any of these?

Shanghvi: We have not shared any progress in connection to any specific project. What we have shared with people is that by next year we should have at least two of the drug delivery system based products in human study and by 2005 we should have one new chemical entity based on human study.

S. Ranganathan: By 2005?

Shanghvi: Yes correct.

S. Ranganathan: Okay, thank you sir.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Sanjay Chawla of IDBI.

Sanjay Chawla: Good afternoon sir. My question is on Caraco, in the first half you have done a sales of \$20 million while you have given a guidance of \$35 million for the full year, are you being conservative or there is a seasonality in the business sir.

Shanghvi: I think this \$35 million is a number that they have issued at the beginning of the year. So I do not know of any seasonality or it may be if they feel comfortable they may give a new guidance.

Sanjay Chawla: Okay, as far as we are concerned the \$20 mill could become \$40 mill, I mean, assuming that there is no seasonality in the business, is that correct sir?

Sudhir Valia: Mathematics is correct.

Sanjay Chawla: Okay and second question was on Caraco again, for the technology transfer with the stock price of Caraco moving to almost \$10, based on the current pattern of compensation, it is quite possible that you would actually end up making losses in Caraco because of the high stock price, because of a non-cash charge.

Sudhir Valia: Yes, I think that is valid concern we are also evaluating what is the best option going forward, looking at the share price of Caraco.

Sanjay Chawla: I see. Okay, thank you.

Sudhir Valia: Thank you.

Moderator: Thank you very much sir. Next in line we have Ms. Preethi of Edelweiss Capital.

Preethi: Hello.

Shanghvi: Yes.

Preethi: My question is on the note to the results table and I think another participant had

asked this question, the sales includes RS.82.4 million of inter unit sales, is referred to as sales to Caraco, right? Rs. 82.4 million of inter unit sales of bulk drugs for manufacturing ...

Sudhir Valia: That is not to Caraco. We have bulk drug and formulation unit so our bulk drug being supplied from our bulk drug unit to the formulation unit is that. Caraco is an independent entity since we are not consolidating at this time for the quarter, that sale is independent.

Preethi: Okay but any numbers that the company is sharing excluding what has gone to Caraco supply of bulk what could be the growth in the bulk exports division.

Sudhir Valia: No not shared at the moment.

Preethi: You are not sharing.

Sudhir Valia: No, we do not have the numbers and we have not taken any view as of now of the number sharing.

Preethi: Okay, okay any product discontinuation, has the company the discontinued what was happening last year- is that completely done or any other incremental products, which the company is discontinuing?

Sudhir Valia: In terms of?

Preethi: In terms of because it is not viable from the point of view of margins.

Sudhir Valia: Yes, cephalixin business and some of the macrolide business has been curtailed or discontinued.

Preethi: Okay, what could be the value of the macrolide on an annual basis sir?

Sudhir Valia: It is too difficult to say off hand, but the contribution from that is not more than 10%, so it was not meaningful for us to continue. Let me broadly share philosophy independent of products. In fact we remain focused on value addition and any product at some point in time that does not meet the threshold of the potential value addition then we evaluate whether we want to continue or not to continue. So it is a continuous process, cephalixin was a large business that we shared that with investors, but otherwise we keep on discontinuing products in both our formulation and bulk drug part of the business.

Preethi: Okay and this 22 to 25% growth guidance that you have given in bulk exports includes what could go to Caraco too?

Sudhir Valia: Yes correct.

Preethi: Okay fine, thank you sir.

Sudhir Valia: Thank you.

Moderator: Thank you very much madam. At this moment I would like to hand over the floor back to Mr. Sudhir Valia for remarks.

Sudhir Valia: Are there any further questions.

Moderator: Okay, participants who wish to ask questions please press *1 now. We have a question from Mr. Sameer of JM Morgan.

Sameer: Yes hi, good afternoon to everyone. What is the current outstanding debt on the book of Caraco, all inclusive, and what is the future capex requirement?

Sudhir Valia: You mean debt of Caraco or debt of Sun to Caraco?

Sameer: No, debt on the books of Caraco.

Sudhir Valia: Okay, I mean it is very difficult to give you a precise number straight away, but broadly I think if I look at, they will have the loan to be repaid to EDC which is around \$7.5-8 million, they will have around \$7-8 million to be repaid to Sun, and there will be around \$15-\$17 million which they have to repay to banks based on guarantee of Sun. Broadly, I think this will be there, but this is not the exact number, but it will be in this region.

Sameer: Okay, thanks. And what is the capex plans for Caraco going forward, and what does the company plan to do with the free cash flow that the Caraco is generating?

Shanghvi: Part of the free cash flow will be used for increased investment in R&D and capacity utilization; part of it will be used for repaying the debt. And about the capex, I think, we have shared with the investor that they will be spending something like \$1.5-2 million for additional capacity and de-bottlenecking.

Sameer: How much did you say sir, \$1.5 million?

Shanghvi: \$1.5-2 million.

Sameer: I see, thanks. And, one last question, you had mentioned in the press release that about 40% of sales, overall sales from Sun Pharmaceutical in the next three years would be coming from the exports business from, I think, currently what it is right now about 20%. I mean, could you give some broad idea of this 40%, how much would be from regulated markets, how much unregulated market, what would really be the growth driver?

Shanghvi: We have shared with investors that from 20% now it will go up to around 30% in the next two to three years. At the same point of time, we are not including the turnover of Caraco in the international business. We have not shared with people the breakup of the international business either in regulated/unregulated or formulation or bulk.

Sameer: Okay fine thank you very much sir.

Sudhir Valia: Thank you.

Moderator: Thank you very much sir. Next in line we have Mr. Ravi Shankar of Sundaram Mutual Fund.

Ravi Shankar: Yes, hello Mr. Shanghvi. This is just to elaborate on Sameer's question

whether you can give us sales breakup of either Q1 or FY-03 in terms of exports, which are the say top five countries you are exporting to in case of formulations?

Shanghvi: We gave actually, I think, some regional distribution of sales, but I will try, if you send a mail then we can give you specific information.

Ravi Shankar: Right sir.

Shanghvi: But generally we don't give very precise product or country information.

Ravi Shankar: Okay sir. Thanks.

Moderator: Thank you very much sir. Next in line we have Mr. Rahul Sharma of Karvy Stocks.

Rahul Sharma: Hello sir. I just wanted to ask sir other expenses have increased by 200 basis points, could you throw some light on this aspect sir?

Sudhir Valia: Actually this happens

Rahul Sharma: Hello?

Moderator: Hello sir? Hello Mr. Sudhir?

Sudhir Valia: Yeah.

Moderator: Sir, are you there with us?

Sudhir Valia: Yeah, I am there.

Moderator: Okay sir.

Sudhir Valia: There is some disturbance in the line.

Moderator: Hello Mr. Rahul?

Rahul Sharma: Yeah.

Moderator: Sir are you on a speakerphone?

Rahul Sharma: No, I am not on speakerphone, but there is some disturbance, I don't know why.

Moderator: Sir, are you on a cell phone?

Rahul Sharma: No.

Moderator: Fine sir. I'll just check out.

Sudhir Valia: Yes, Rahul.

Rahul Sharma: Yeah.

Sudhir Valia: Your question is in terms of increase in overhead expenses mainly on account of our sales booked last quarter, whereas the expenses related to that continue to be incurred in this quarter... Can you hear me?

Rahul Sharma: I am trying. It is coming in patches sir.

Sudhir Valia: Yeah, there is some disturbance. See last quarter we had Rs. 35 cores extra sales whereas the expenses are booked in this quarter. Hello?

Lady speaker: We have lost the line.

Rahul Sharma: Okay, so going forward, this won't be the phenomenon?

Sudhir Valia: No, this won't be.

Rahul Sharma: Okay sir. Thank you.

Sudhir Valia: Yeah, Monali. Hello? I think there is lot of disturbance.

Moderator: Sorry for the disturbance. Participants who wish to ask questions, please press *1 now. Next in line we have Mr. Kandaswamy of Capital Market.

Kandaswamy: Congratulations for this very excellent result sir. Basically I would like to know some more details on that partnership firm Sun Pharmaceutical Industries. In the last time you said that the Jammu unit is likely to be transferred to that unit so that you know you will get the maximum tax benefit. What other units have been transferred or will be transferred in due course? And sir any manpower transfer as well in this regard? Can you please explain this sir?

Sudhir Valia: See, Jammu unit is under construction and the Dadra unit has already commenced production.

Kandaswamy: Yeah, but what was told last time was that you know the Jammu unit is likely to be done in the partnership mode. Now, we find that

Sudhir Valia: yeah, both the units are in partnership.

Kandaswamy: Can you share some details in this regard sir?

Sudhir Valia: What is that details you look for?

Kandaswamy: Basically, you know, if some existing unit of the company has been transferred to the partnership firm to the extent that the expenses would have come down, but we have not seen that much at this point of time, or at least it is not apparent as well?

Sudhir Valia: No, no both these units are new units come up. So, so far these units in the past

were never functional.

Kandaswamy: And, these predominantly only of your manufacturing activity or it could be a overall activity as well.

Sudhir Valia: This is manufacturing only.

Kandaswamy: Fine.

Lady speaker: There is in the last quarter's press release, especially when you see the last paragraph there, it says that both the Dadra and the Jammu plants are set up in this partnership mode. So if you could look at the last quarter's press release please.

Kandaswamy: Exactly. That is what I felt, because Jammu unit is likely to be commissioned

Lady speaker: Yeah, whereas Dadra is an operational unit, so it will get reflected now.

Kandaswamy: Fine madam. Okay madam. That's nice of you, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Manish Jain of DSP Merrill Lynch.

Manish Jain: Yes, hi. I had two questions. First pertaining to indirect expenses which have grown by 20% even though the domestic market sales have grown only by 9%; and second pertaining to ANDAs, given that we have plan to file close to 10 ANDAs in the current year, how many of these will be patent challenges?

Shanghvi: I think Manish the first question about the increase in marketing expense as Mr. Valia explained is essentially because of part of this year's sales getting reflected in the previous year. So, the overall marketing cost has gone up. Am I clear?

Manish Jain: No. I was asking about indirect taxes.

Shanghvi: Oh, taxes.

Manish Jain: The indirect taxes have grown by 20% whereas sales growth is only by 9% in the domestic market.

Sudhir Valia: See these indirect taxes are a reflection of either sometimes we acquire products or we ourselves manufacture the product.

Manish Jain: Okay.

Sudhir Valia: And, that combination of purchase.....

Manish Jain: No, no. I get the thing. Fine.

Shanghvi: And, the second is about the para 4, I think, we have shared with people that majority of the product that we are filing, I mean not majority, this year we are not making

any para 4 challenge.

Manish Jain: Okay. Fine, thanks.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Giridhar Iyengar of ABN Amro.

Giridhar Iyengar: has doubled actually on an year-on-year basis, where has it actually mostly gone?

Shanghvi: Actually Giridhar we lost the first part of your question. Can you repeat?

Giridhar Iyengar: I am talking about the R&D expenditure of Rs. 260 million which has actually nearly doubled on a year-on-year basis. I just wanted to know where has it gone, mainly what was the kind of funding that has happened in R&D, in which particular category, if you can.

Shanghvi: 17 crores is the investment in R&D for setting of new facility, and 9 crores is in the revenue expense which has grown from Rs. 6 crores over last year. So, 50% has increased in revenue expense, but Rs 27 cr is split into fixed capital investment and revenue expense in this year.

Giridhar Iyengar: Okay, so basically Rs. 9 crores is what has gone in, is included in the total expenditure.

Shanghvi: Yes, that's correct.

Giridhar Iyengar: Okay, thanks.

Moderator: Thank you very much sir. Next in line, hello Mr. Pawan? Next in line, we have Mr. Pawan of SSKI. Participants who wish to ask questions, please press *1 now. Next in line, we have Ms. Gangotri of VCT Shares.

Gangotri: Hello?

Shanghvi: Yes.

Gangotri: Hello sir. Congratulations for the good numbers. I have a question on Caraco. Would you give any projections of when Caraco will become a 51% subsidiary of Sun Pharma?

Shanghvi: I think when we receive shares for two or three additional products, it will become a 51% subsidiary.

Gangotri: Any, I mean, which year, any projection of that?

Shanghvi: I think by next year this should happen.

Gangotri: Okay sir. Next question is on our domestic formulation sales. You have forecast a 15% growth on formulation sales. You continue to maintain your number one position ranking in the segments like cardiovascular, neurology, diabetology, which are the segments you are looking for this growth?

Shanghvi: We are not number one in cardiology and diabetology; we wish to be. We are number one in psychiatry and neurology. But the majority of our segments, I said we are doing reasonably well, so there is no specific segment that we expect to do significantly better than the others.

Gangotri: Okay sir.

Moderator: Thank you very much madam. Participants who wish to ask questions, please press *1 now. We have a question from Mr. Sameer of Enam Securities.

Sameer: Yes, hello?

Shanghvi: Yes?

Sameer: Yeah, good afternoon sir. Congratulations on a good set of numbers. Sir, I just wanted a clarification on the number of ANDAs filed by Caraco till the first half of the current calendar year?

Shanghvi: In the first six months, Caraco has not filed any ANDAs, we expect Caraco to start filing ANDAs, I mean file, in the second half.

Sameer: Okay, and the number of total filings is about five right?

Shanghvi: Four to five, yes.

Sameer: Okay. And, all these would be based on product supplied by SPARC

Shanghvi: That is correct. Technology supplied by Sun Pharma.

Sameer: Okay. And sir in the results you gave a note about sales and material cost includes consignment sales?

Shanghvi: Yes.

Sameer: Sir, could you just elaborate as to what exactly this consignment sales?

Sudhir Valia: The sales which is done by Sun Pharmaceutical Industries Limited on account of on product manufactured by Sun Pharmaceutical Industries our partnership firm.

Sameer: Okay. No because there is a share of income which is 42 million and then there is same which is

Sudhir Valia: I will tell you how this happens, because all the sales is still continued to be carried out by Sun Pharmaceutical Industries Limited across India, and this has been shown as a consignment agent. Okay. So the sales actually are whatever booked in the books of

partnership firm, Sun Pharma has a right to receive share of profit.

Sameer: So that means, let us say, out of the domestic sales of 207 crores, 9.45 crores is basically what is the products that have been made by Sun Pharma Industries?

Sudhir Valia: Correct.

Sameer: Okay, and the cost which is 8.64 crores which has been reflected in the expenses of Sun Pharma is basically the amount that we paid to Sun Pharma Industries?

Sudhir Valia: Correct.

Sameer: Okay.

Sudhir Valia: The difference is sales tax.

Sameer: The difference is?

Sudhir Valia: Sales tax.

Sameer: So, that means the Sun Pharma Industries is basically it is a no-profit no-loss organization?

Sudhir Valia: That is to the extent of a consignment sale. Because Sun Pharma Industries Limited gets a share of profit.

Sameer: Okay. So, on these sales of Rs 9.4 crores, the profit is Rs. 4.2 crores?

Sudhir Valia: Yes.

Sameer: So, that is almost 50%?

Sudhir Valia: That is true.

Sameer: Okay. Okay sir. Thanks sir.

Moderator: Thank you very much sir. Next we have a followup question from Mr. Pawan of SSKI.

Pawan: Yeah, hi. Sir this was, I mean, you know, in your recent answer, you just said that your stake in Caraco would move to 51% by next year when you file two or three additional products. But I thought that you know the stock gets converted into common equity after three years?

Shanghvi: That is correct, but the technology agreement that we have also stipulates that,

Male Speaker: See, the technology agreement which is now designed where the shares which is allotted to Sun Pharma will be preference shares, and that preference shares can be converted into equity after three years by Sun Pharma if they want it.

Pawan: Okay. But how does it, I mean right now, I mean, if I understand correct it is 49% currently and from now on whatever the ANDA technology transferred will be given preference stock which can be converted after three years, so how does it become 51% next year?

Sudhir Valia: See, it doesn't become automatically. It has to have the time gap .

Shanghvi: No, I think, Pawan your question is on a technical basis whether we become 51% or whether those warrant becomes exercisable warrant.

Pawan: That is right.

Shanghvi: I think I should have reflected better and answered more technically.

Pawan: I am sorry.

Shanghvi: That is okay. I think you have pointed out something which is very valid and in which case it will be three years after the date of receipt of those warrants that they will become permanent stock. There is also a provision in our agreement that in case of any, if in case of change of control then they become common stock on the day of change of control. But that does not help us to reach 51% on our own.

Pawan: Okay fine sir. There could be something else which could take it to 51%.

Shanghvi: No, as on today, there is nothing beyond what we discussed. But, I think that there should be exact time line for reaching 51% by three years after receiving the option, I mean, the warrant, and as I see technically we will not reach 51% till that point of time.

Pawan: And, just one more, were there any ANDAs filed during this quarter from India, Sun India?

Shanghvi: No.

Pawan: Okay, and so, we hope you would file about 4- 5, ANDAs this year?

Shanghvi: That I think our objective of maintaining that filing remains the same.

Pawan: Okay, fine thanks.

Shanghvi: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 now. Next in line, we have Mr. Giridhar Iyengar from ABN Amro.

Giridhar Iyengar: I just want to clarify on the bulk exports, can you hear me?

Shanghvi: Yes.

Giridhar Iyengar: On the bulk exports of Rs.318 million, how much of it is, you know, gone to Caraco?

Shanghvi: We don't have that number with us right now.

Giridhar Iyengar: Okay.

Shanghvi: But there will be...

Giridhar Iyengar: In term of percentage approximately. You know this is because

Shanghvi: May be 10-15%.

Giridhar Iyengar: The thing is, you know, because you have not given the consolidated number for this quarter though you have given consolidated for the year, it will be easy, you know, to knock off the profits that you get in order of the inter company transfer, otherwise on a consolidated basis, you know, it won't reflect the correct picture, that is the reason actually?

Shanghvi: No, I understand. I think we should have calculated and come with that figure before the conference call, but Mr. Valia recalls that it will be around 15-20%, but that is an approximate number to...

Sudhir Valia: 12-15%.

Shanghvi: 12-15%.

Giridhar Iyengar: Okay that is fine. I just want a rough number. 15%. Okay. And last year there was nothing right?

Shanghvi: There would have been something.

Giridhar Iyengar: Something fine. Okay. Thanks.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press *1 now. At this moment, there are no further questions from participants. I would like to hand over the floor back to Mr. Sudhir Valia for final remarks.

Sudhir Valia: Thank you Monali and thank you all the participants for joining us for the conference call. Thank you.

Moderator: Thank you sir. Ladies and gentlemen, thank you for using CyberBazaar's 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.