

Cipla Ltd.
Investors/Earnings Conference Call
(October 28, 2009)

Moderator: Good evening ladies and gentlemen. Thank you for standing by. This is Mohit, the moderator for your conference call today. We welcome you to the conference call of Cipla Ltd. hosted by Kotak Institutional Equities. We have with us today Mr. Radhakrishnan, CFO and his colleague Mr. Ajay Luharuka from Cipla and Ms. Priti Arora from Kotak Institutional Equities. At this moment all participants are in a listen-only mode. Later we will conduct a question and answer session. At that time if you have a question please press * and 1. Kindly note that the call is for 30 minutes only and we will try to wrap up the discussion by 5:30 p.m. I would now like to turn the conference over to Ms. Priti Arora. Please go ahead mam.

Priti Arora: Thanks good evening everyone. Cipla declared the second quarter results and we have with us Cipla management to take us through the earnings and the business plans and the results. I would now like to handover to Mr. Luharuka to provide us an update on the results. Over to you Ajay.

Ajay Luharuka: Thank you Priti. Good evening to all of you and welcome to the Cipla call for the second quarter results. We have on the call today our CFO Mr. S. Radhakrishnan. For the first time we are doing such a call in response to numerous requests from all of you. We hope you have received the second quarter financials and the performance highlights available on our website. We would like to give you an overview of the financials which can be followed by a question and answer session. During this quarter, income from operations at Rs. 1455 crores grew by about 6.5%, operating margins at Rs. 380 crores increased by 80%, and profit after tax at Rs. 275 crores is up by more than 82%. Domestic sales for the quarter grew by about 7%. The growth in domestic sales has been lower during the quarter primarily on account of seasonal variations. Export sales grew by about 4% during the quarter, exports of API and others grew by more than 37% whereas formulations have gone down by about 3.5%. While there has been a reduction in formulations exports on a year-on-year basis, the overall growth is more than 6% on a sequential basis. The lower growth is primarily attributed to high base in the corresponding quarter last year as well as delay in availability of certain key materials, in particular the anti-asthma segments and lower sales in anti-retrovirals. The major international markets in which exports have been adversely affected during the quarter are the African and the American continent.

Material cost has decreased during the quarter from about 46% to 44% mainly due to changes in product mix which includes lower contribution of anti-retrovirals segment. This has also resulted in better operating margins. Other expenditure has decreased by about 23% approximately Rs. 100 crores. This reduction is mainly on account of favourable foreign exchange situation during the quarter. There was a gain of Rs. 7.5 crores as compared to a loss of about Rs. 105 crores in the corresponding quarter of last year. As of 30th September, 2009, the outstanding amount of forward contracts is about 110 million US dollars. The company is currently following the practice of hedging all loans and covering net export billing on a month to month basis. The total capital expenditure during the first half of the current financial year is about Rs. 300 crores mainly for the Indore project and upgradation of other facilities. With this overview, I would like to leave to the floor open for questions. Mr. Radhakrishnan and myself are available to answer any questions that you may have. Thank you.

Moderator: Ladies and gentleman. We will now begin the question and answer session. If you have a question, please press * and 1 on your pushbutton phone and await your turn to ask the

question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the hash key. Our first question comes from Mr. Ranjit from HDFC Securities. Please go ahead sir.

Ranjit: Thank you. Congratulations for good set of numbers, sir. Just couple of questions. First thing how much was the export gain you said in the quarter?

Ajay Luharuka: The foreign exchange gain for the quarter is about Rs. 7.5 crores.

Ranjit: 12.5 crores.

Ajay Luharuka: 7.5.

Ranjit: 7.5 crores.

Ajay Luharuka: Yes.

Ranjit: And sir about this capex for the first half you said is 300 crores in the Indore project what is the full year, what is the estimate for capex?

Ajay Luharuka: The capex of Rs. 300 crores is not only for the Indore project it is also for the upgradation of other facilities. For the full year we are expecting a capex of about Rs. 500 to 600 crores.

Ranjit: 500 to 600 crores. And this will be for additional facility or the same facilities?

Ajay Luharuka: Yes apart from Indore, we are planning to set up API facilities in Bangalore and Patalganga.

Ranjit: API at Bangalore and?

Ajay Luharuka: Patalganga.

Ranjit: Patalganga.

Ajay Luharuka: Yes.

Ranjit: Okay and sir you have said that the export has suffered, formulation export, how much was the loss due to forex gain?

S Radhakrishnan: No there has been no loss because of forex more because of the business, in particularly the ARV segment being lower and also in the respiratory segment where supplies were delayed because of availability of one of the key raw materials that is gases. So on a forex situation I do not think there was any adverse effect on a year-on-year basis.

Ranjit: And sir, can you quantify Tamiflu sales in the quarter?

S Radhakrishnan: No, in fact, we have started exporting to various countries. Unfortunately, I may not be able to give you the figures for sensitivity reasons but although in India there is not too much of sale. We have exporting these drugs to various countries and all this will happen probably more in the next quarter, number one. Number two, we are the only company who

have both the drugs available for swine flu. One is Zanamivir which is Virena and Osetalmavir which is Anti-flu. So both these products are available, we are the only company in the world that has both these products and we have also told the government of India that we in a position to supply. In India, the position is not yet relaxed fully, although it is now available in Schedule X but internationally we have been receiving export orders and we will start exporting them.

Ranjit: Sir in the AGM you have said that you have imported raw material at higher price for Tamiflu and that is why we cannot supply the lower price in the domestic market. Is that issue resolved or it is still going on?

S Radhakrishnan: Yes, that was at that point of time. Of course the prices are different now. It was probably at that point of time situation. Today I think that is not the issue. In fact, today the government has allowed retail sales in India. It is more a question of the mechanics of supply than the tender business of cost.

Ranjit: Okay, thank you very much and all the best sir.

S Radhakrishnan: Thank you.

Moderator: Thank you for the question Mr. Ranjit. Our next question comes from Mr. Sameer from Morgan Stanley. Please go ahead sir.

Sameer: Hi good evening everyone. Just a question on the full year top line guidance, I think at that time of AGM you have mentioned that it would be 10 to 14% topline growth. Does that still stay?

S Radhakrishnan: Yes we had mentioned 10 to 12% at that point of time and we continue to give the same guidance for the year for top line for the whole of year.

Sameer: Okay and second is on the forex side, the forward contract mentioned was \$110 million what is the rate at which it is being contracted?

S Radhakrishnan: Roughly around 47. I mean this is very rough not exact of that but that will be the range.

Sameer: And sir third question is we on track to commission the Indore facility that is in first quarter next fiscal?

S Radhakrishnan: Yes we are on track. What we are now doing is we are trying to get the validation done so that the regulatory work can commence now, commercial production will begin in April next year.

Sameer: Okay and when do you expect the FDA I would assume has not inspected it up until now?

S Radhakrishnan: No, it cannot because it can start only once we have commenced production so that is what will happen in the next year.

Sameer: Yes, in fact so if you start taking validation by now, when do you expect FDA to come and when could you first send your filing process?

S Radhakrishnan: Normally it takes about one to two years to complete the whole process for various markets. It is not only US it is various other agencies as well. So it will all happen sooner, but before that we will probably start with the non-regulatory market where pre-inspections are not required.

Sameer: Okay, and just one final question is there any update on HFA inhalers for the European market?

S Radhakrishnan: Nothing different from what we spoke two or three months ago. We have in European market received approval for Budesonide inhaler, in Germany and Portugal, and Salbutamol in UK and Denmark as well as Portugal. So far 9 inhalers are developed for EU and six have been submitted. The company is in process of initiating the trials on multidose dry powder inhalers for the European market and is also working for two products in US as well. The Salbutamol inhaler exports will happen in the next quarter in UK.

Sameer: I would imagine the Salbutamol approvals two of those that you said Salbutamol and Budesonide for two to three European countries have been around for quite sometime. So that is quite possible.

S Radhakrishnan: Sabutamol happened recently. Budesonide happened earlier, so we hope to export Salbutamol in the next quarter.

Sameer: Right, okay so that is a new addition and Radha if you just update us on the two products that you mentioned for the US market. At what stage are we -

S Radhakrishnan: Very, very early stages because see the regulatory aspects is still very much in the infancy stage. We do not want to comment anything on the US market in this area as of now.

Moderator: The host is disconnected. I will just call and connect it. Just be on line. Please be on line, the host is disconnected. We are just connecting it. Thank you. The host is connected. Sameer you can go with your question.

Sameer: Radha I think we lost you when you were talking about the US market for the HFA Inhaler.

S Radhakrishnan: Yes. US as I said, it is a very nascent stage, very initial stages. We do not want to do any comment on that because the regulatory process is still distant way so that is the status there.

Sameer: Okay and just if I have to confirm you mentioned that for DPI you are initiating the clinical trials now for the European market.

S Radhakrishnan: That is right.

Sameer: And is Salbutamol for UK market very sizeable opportunity? Anything that you can share on this?

S Radhakrishnan: I do not really have the figure at the moment.

Sameer: But you would say it is a meaningful opportunity.

S Radhakrishnan: Yes, of course.

Sameer: Okay. Thank you. That is all from my side.

S Radhakrishnan: Thank you.

Moderator: Thank you for your question Mr. Sameer. Our next question comes from Mr. Girish from JM Financial, please go ahead.

Jesal: Yeah, this is Jesal.

S Radhakrishnan: Yes Jesal.

Jesal: So thanks so much first of all for organizing this call. And a few questions to begin with on the technology income in the second half of last year it was very high. So what do you think is the outlook for the current year now coming with respect to all the partnerships that you signed?

S Radhakrishnan: Well if you see for the half year we have done Rs. 76 crores against Rs. 58 crores for the corresponding period in the previous year. So it is higher by about Rs. 20 crores and going forward I think we think that this will be in line with the previous year's numbers.

Jesal: So you think you would be able to match the last year's second half high numbers as well.

S Radhakrishnan: You mean to say that. I may not be able to comment, because the billing happens on milestone completion. You cannot predict that every quarter it will happen. So depending on that situation, we would expect that it would be at least the number which we have done in the first six months.

Jesal: Okay, and any update on the number of products that you have in the partnership and I remember there is some talks about some BigPharma tie-up as well so is there any update on that in terms of how many products are currently under development for both generics as well as for big pharma?

S Radhakrishnan: As far as generic US market is concerned we have got 21 partners and working on 118 products of which 64 ANDAs are under registration and 36 have been received. So far we have commercialized about 23 products as of today. For the European markets we have 60 partners and registered about 400 plus products of which 292 approvals have been received and we have commercialized about 51 products. We have already talked about the inhalers. As far as tie-up with Meda for Azelastine/Fluticasone, the clinical trials are ongoing and are expected to complete in later half of 2010. We have also tied up with some of the other companies for development and supply, which for sensitive reasons which we have not yet announced but that process is on and we have started supplying some of these products to the big pharma. So that is the status on both regulatory market and tie up with Big Pharma.

Jesal: Okay thanks and that is very useful and would you say that your net income is split like one third, one third, one third for US and BigPharma or what would the split be.

S Radhakrishnan: It is not following such patterns. Basically it is between US and Europe is what I can say.

Jesal: Okay so then moving onto your growth rate in the first half and particularly in the second quarter on both domestic and export is a bit lower than what we were expecting and I understand that figure has some supply issues that you explain. But what do you think is the outlook going forward you know particularly in domestic because in the past year it has grown at least 13-14% and in the last two quarters we are seeing you know single digit. So when will we see recovery and you know what is the issue with HFA or whatever supply issues that you are facing on inhalers? When do you think that will get sorted out?

S Radhakrishnan: See basically when I talk on inhalers it is all actually in the export market where we are seeing supplying CFC based asthma products where the gas was not available so that has really affected the export market. As far as domestic market is concerned basically the economies are very much dependent on the season and given that the monsoon the country had, it did affect the seasonal products particularly anti-infectives and such like products, which therefore were lower. Also we lost out on anti-retrovirals business and the tender supply because in India now it is all free of charge. So most of the tender business which were quoting at low price we did not participate so these issues affected us in the first quarter. Going forward I think again largely because we are largely in respiratory market, it would depend on the season because we are the largest player there. But we assume that going forward we should be able to maintain the growth of what we have done if not improve.

Jesal: Okay and on the export business would you have some broad idea about how business is split region wise which you give in annual report it just that kind of split is it available for the first half?

S Radhakrishnan: I do not have the actual split. I can probably send it to you later.

Jesal: Okay no problems. And on the inhaler front for Europe you know there is you have a big opportunity in Salbutamol and Fluticasone combo, right. So you know with the market is split between both MDI and DPI. So the question is you know I mean do you have both the types of inhalers already filed and are there any other litigation going on anywhere with respect to you know infringement issues with GSK?

S Radhakrishnan: No, our products are available in both the segments and on the nine products we include both segments. At the moment there are no litigation issues. It is more of the regulatory issues that are being handled and you know that is where time is being taken.

Jesal: And you are fully integrated with your device on both DPIs and MDIs.

S Radhakrishnan: Yes, we have got the devices as well as the product.

Jesal: And you are fully integrated I mean you are not outsourcing any components of

S Radhakrishnan: No, we have got our own device.

Jesal: Okay and lastly on the margin outlook we have seen historically that your raw material cost remains more or less fixed and you know fixed growth keeps increasing in line with your sales growth. In the first half and particularly in the second quarter we are seeing fixed overheads are growing but this year these are not growing much so which is not the normal

phenomena that we see. So what do you think is the ability to control cost you know going forward if the turnover remains muted.

S Radhakrishnan: No, I think it will depend on various factors because as we go on we probably get the efficiency of scales which will help us in controlling the cost and therefore improve the margins. It also depends on the product mix. These two factors will affect the margins so maybe we have to look at how the foreign currency movements happen because that will also impact the margins. These factors will remain. As of today I think we have improved the margins substantially in the region of 25-26% and we hope to maintain the same as far as this year is concerned.

Jesal: So do you think we will be able to maintain margins at the current level for the rest of the period as well?

S Radhakrishnan: Except whatever factors I just mentioned to you. Unless it is very adverse, I think we will be able to maintain this kind of margin.

Jesal: Okay and the export also you would have benefited because of Dollar Rupee actually YOY on an average basis was still 10% down so what would you say would be your dollar, I mean a constant currency export business growth?

S Radhakrishnan: We would target for the next six months a growth of at least 10 to 15% as the constant growth.

Jesal: Okay. Thank you.

S Radhakrishnan: Thank you.

Moderator: Thank you for your question Mr. Girish. Our next question comes from Mr. Hitesh from Marvadi Finance. Please go ahead sir.

Hitesh: Hello sir. Can you tell us any rough sales figure for HFA inhalers?

S Radhakrishnan: Sorry?

Hitesh: Can you give us any sales projection for HFA inhalers and what sort of sales you are expecting?

S Radhakrishnan: For the domestic market or export market?

Hitesh: Export market.

S Radhakrishnan: We will not be able to quantify the figures for you, sorry.

Hitesh: Okay and what has been the year-on-year decrease in ARV segment, sales from ARV?

S Radhakrishnan: May be gone down about overall by about 5-6%.

Hitesh: Okay. Thank you sir.

Moderator: Thank you for your question Mr. Hitesh. Our next question comes from Mr. Manoj Gharat from Emkay Global, please go ahead sir.

Manoj Gharat: Good evening and thank you for taking my question. First you have indicated that you are working on some joint venture with a Chinese company for biosimilar and the announcement is likely to be very soon. Can you give some update on that?

S Radhakrishnan: Yes, we are in the process of doing the joint venture. As of today work for clinical and the regulatory work in India has started and going forward we would get into an agreement for development, production and supply which is still in the offing and that is on course and we hope to do the tie-up in the near future.

Manoj Gharat: That is essentially for domestic market or even for export market also?

S Radhakrishnan: It is firstly for domestic market in India and then going forward it could be for the other markets.

Manoj Gharat: And when do you see the products coming out of that venture in India?

S Radhakrishnan: In India we hope that sometime later next year we will be able to launch some of these products.

Manoj Gharat: Okay. Second thing you mentioned about two inhalers in the US market that you are currently working on. Can you name those products?

S Radhakrishnan: Well we cannot name for confidentiality reasons.

Manoj Gharat: Okay. Thank you very much. That was it from my side.

Moderator: Thank you for question Mr. Manoj. Our next question comes from Mr. Neelkanth from Credit Suisse, please go ahead sir.

Neelkanth: Yeah, hi, just following up on the Chinese JV and Biosimilars, what is it that the Chinese partner is bringing to the table? I mean is it manufacturing technology? Is it just the cell line?

S Radhakrishnan: Yes, they are basically bringing technologies so these products are already developed and probably some of them are already marketed in China so that is what they are bringing on the table. So these products are therefore not something which we have to develop. These are developed and the technology is coming to us.

Neelkanth: Right so these are fully developed cell lines which are actually selling in China right now so you are just moving them to India and manufacturing yourself?

S Radhakrishnan: Some of them are available but what they have really done for us is develop the product.

Neelkanth: I am sorry could you repeat that please I could not hear you.

S Radhakrishnan: Some of these cell lines are available, some of them may not be because there is a basket of products but all these products are fully developed and therefore the technology is what is coming to us.

Neelkanth: So any particular reason why we chose to buy the cell line from the Chinese? The understanding that we have been given is it takes one or two years to develop a good one but then you know it is not very technologically challenging to actually do that. Is that correct? Anything in particular that a Chinese JV saves you, I mean does it save cost, does it save time?

S Radhakrishnan: Yes, obviously it saves time because the products are developed. We earlier had a tie-up with a Avesthagen but it did not workout as per anticipation so going by that experience we felt that we should enter into this market with a Chinese partner where the technology is already available.

Neelkanth: I understood and what would be your capex right now on Biosimilars I mean is it a large part of the capex that we have seen going into Biosimilars capacity or is it just small?

S Radhakrishnan: No, so far we have not invested anything on capex but going forward that depends on how the arrangement works out, what kind of manufacturing you have to do but right now we have not spent any capex on the Biosimilars as of today. But going forward yes, once the agreement is formalized and we know what's our role we will be obviously budgeting on capex.

Neelkanth: Thanks and on the inhaler launches in Europe, any particular reason why despite having approvals for two years we had not launched the products? And the second question on that is I mean I guess after the regulatory challenge the next challenge would be on the marketing front to convince doctors to prescribe. What kind of market shares would we be targeting in these markets?

S Radhakrishnan: Basically Salbutamol was recently approved and we are trying to hope to reach to market at this quarter otherwise the delay is more because of the regulatory issues and the protocol that is followed for the purpose has been ever changing and that is why it is taking time. As far as marketing is concerned, we have the size of the market. I probably cannot predict the share because it would be something which I would not like to do but overall market size for the products is about 1800 million euro, some of the products that we have to register there, not counting the DPI. So I think that is where we believe we have the potential and we think that given that we have tied up with large companies there, we have the potential to exploit the market.

Neelkanth: So you do have beliefs in the marketing strengths and they can go against the likes of GSK and still get these market shares.

S Radhakrishnan: Yes because we have tied up with some of these generic players I think that is something which is our strength and I think marketing we do not believe in is an issue.

Neelkanth: I understood and this is last question. The current capacity utilization is close to 70% this is as of March 2009 but clearly there is significant expansion in capacity. Should we assume that we expect very large jump in volumes going forward?

S Radhakrishnan: Yes, first of all we had major expansion in the last two-three years particularly in the formulation segment and we have now completed most of the expansions and

Indore which we will complete by the end of the year. So we will not budget so much of our expenditure on formulation and therefore we would see increasing utilization of capacity going forward because do not forget that even a 10-12% growth is huge volume for us and therefore we will have to get prepared for those capacities and therefore we believe that our capacity utilization will further improve in the next few years. We will be spending in API where we have to build up capacity which will happen in the next two years. So there we require the capacity and we will probably build on this capacity. Yes but broadly for formulations, we will not really have major expenditure and therefore given the current growth trends we will obviously utilize better our capacity.

Neelkanth: I understood, and yeah just the corollary to that I, the QIP document mentioned that you entered into an agreement for development and distribution of stem cell based products. I mean is it something that we should see getting commercialized anytime in the near future or is it something which is going to be fruitful only about 4-5 years from now?

S Radhakrishnan: Yes, we can't give the timelines but we have tied-up and the R&D process is going on. Currently there are two products for which the clinical, regulatory trials are going on in India and simultaneously one or two countries outside India. The time frame again in a couple of years by the time we will probably launch some of these products in India and outside India that is the current timeline. Obviously the regulatory would be the factor that will decide the timeline.

Neelkanth: Thanks so much.

Moderator: Thank you for your question Mr. Neelkanth. Our next question comes from Ravi from Edelweiss, please go ahead.

Ravi: Yeah, hi this is Ravi from Edelweiss. So just two questions actually, one is on the other expenditure, now it is my calculations because I think there has been a very sharp reduction in the other expenditure from Q1 to Q2 and that is after adjustment for the forex elements in that. Any specific reasons for this and what kind of numbers can we look to going forward on this?

S Radhakrishnan: Basically to my knowledge expenditure will reduce, some of the other overheads have gone down but can you quantify what you are saying?

Ravi: If you see the first quarter FY 10 other expenditure, the reported number is somewhere around 332 crores, but there was a 70 crores forex gain which is I believe I adjusted in the other expenditure line. So to that extent I think the number would have been roughly around 400 odd crores for the first quarter. Like to like number for the second quarter seems to be roughly around 344-345 crores.

S Radhakrishnan: I think you have got your numbers wrong because in the first quarter what we had reported was a loss of Rs. 27 crores against a loss of Rs. 75 crores so I think you have got the arithmetic incorrect.

Ravi: Okay I will check on this. Second thing is on the tax rates, what is the guidance for the tax rates for this year considering that three-quarter now the tax rate seems to be much higher than last year.

S Radhakrishnan: No we are under MAT and the MAT in the last budget was increased so that will be as per the MAT figures.

Ravi: So can we expect this 18-19% kind of a tax rate sustain for the next two-three-four years?

S Radhakrishnan: Well the MAT rate is currently 17%.

Ravi: Okay. One final question on this Meda and NDA deal what kind of timelines that we are looking for some milestones and any numbers you might want to share on that?

S Radhakrishnan: There are no numbers that we can share but the clinical trials I assume will be completed in the later half of 2010.

Ravi: And post that you should expect some milestones I guess. Some milestones can we expect before that as well?

S Radhakrishnan: That could quite happen as per what we do but for product to complete commercial stage it should be sometime after later half of 2010.

Ravi: Thanks so much.

Moderator: Thank you for your question Mr. Ravi. Our last question comes from Mr. Rajesh Vora from ICICI Securities, please go ahead sir.

Rajesh Vora: Good evening gentlemen and congrats on good set of numbers and I think holding the earnings call is a pretty good idea. So keep it up. Radha on the number side, capex I missed in the first part of the earnings call, what is the total capex you are looking at this year and next year?

S Radhakrishnan: Rajesh, we are looking at a total capex of about 500-600 crores this year and a similar number next year you know and most of this would be for two things. One is for the API facility, one for Patalganga and one for Bangalore and also the R&D facilities at our Vikhroli and Patalganga is what we are looking at. We also have to complete the Indore facility which will get done this year and the capex remaining there to be done is about Rs. 300 crores. So overall we expect to spend about Rs. 1000 to 1200 crores in the next two years with respect to capex. Not counting whatever investment we may make for say the Biosimilar segment or stem cells, which we have not budgeted in this figure.

Rajesh Vora: Sure, now if I look at 2005 fiscal year, in the last four years 2005 to 2009 fiscal your capex has gone up by about threefold, three times, your revenues has gone by about two times and profit has also a little under two times. And we still have another 1200 odd crores to go. Is there more volume we are putting out to get similar sort of profits. Basically two things is becoming clearer as a trend and is that a true assumption or is that true, is that one is that you know the profit growth is not catching up and four year is a pretty reasonable timeframe and even if we had next two years it will be further. And ROCE is obviously coming under pressure, so any color on that Radha?

S Radhakrishnan: Yeah, see as I told you sometime earlier that we have substantially ramped up the formulation capex which is why the large numbers in the last three years. So going forward as I told you we will not be spending much on the formulation and the capacity utilization therefore will be better. What we will spend currently is for R&D and for API which was not spent earlier so that is how the breakup of the expenditure. As regards the asset

turnover ratio it would be probably be better because of lower capital expenditure in the next three years as compared to the past three years. Our asset turnover must improve to 2.6 to 2.7 from your current 2.1 level. That is how we are looking at it. As far as the returns are concerned, we believe it will depend on the product mix and other factors but given that we are working in 170 countries and so many dosage forms, we have a peculiar situation where we have create capacity so that we are therefore ready to supply to various markets and that is why we have created these facilities and also the Indore SEZ will help us considerably in terms of the bottom-line as well because it will have the efficiencies of tax and duties built-in. So that is how we have planned the capex.

Rajesh Vora: Okay, and secondly on the US part you did mention some details. The number of partnership is what 21?

S Radhakrishnan: That is right.

Rajesh Vora: And the total number of ANDA is 118.

S Radhakrishnan: Yes we have 118 projects of which 64 are under registration and 36 approvals have been received so far.

Rajesh Vora: Okay, okay, so pending approval is about 64 or 63.

S Radhakrishnan: Yes.

Rajesh Vora: Okay, okay, great and all the best.

S Radhakrishnan: Thank you Rajesh.

Moderator: Thank you for your question Mr. Rajesh. Ladies and gentlemen as the question and answer is session is over. I would now like to hand over the conference to Ms. Preeti Arora, please go ahead madam.

Preeti Arora: Yeah thanks. On behalf of everyone on the call and Kotak Institutional Equities I would like to thank the Cipla management for taking out time for this call. Thank you.

S Radhakrishnan: Thank you.

Moderator: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using Tata Indicom Conferencing Services. You may please disconnect your lines now. Thank you.