



“Piramal Healthcare Limited Q2 H1 FY2011 Results Conference Call”

October 22, 2010



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MS. NANDINI PIRAMAL – EXECUTIVE DIRECTOR, PIRAMAL HEALTHCARE LIMITED
MR. N SANTHANAM – CHIEF OPERATING OFFICER, PIRAMAL HEALTHCARE LIMITED
MR. MURARI RAJAN – EXECUTIVE DIRECTOR, PIRAMAL ENTERPRISES
MR. RAJESH LADDHA – CFO, PIRAMAL HEALTHCARE LIMITED

Moderator

Ladies and gentlemen good day and welcome to the Piramal Healthcare Limited Q2 and H1 FY-2011 results conference call. As the reminder for the duration of this conference all participant lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by entering * and then 0 on your touch tone telephone. Please note that this conference is being recorded. At this time, I hand the conference over to Mr. Sagar Gokani from Investor Relations at Piramal Healthcare Limited. Thank you and over to you Mr. Gokani.

Sagar Gokani

Good evening to all of you. Welcome to Piramal Healthcare Limited at FY-2010 2nd Quarter results conference call. Joining me on the call are Mr. Ajay Piramal, Chairman; Ms. Nandini Piramal, Executive Director; Mr. N Santhanam, Chief Operating Officer; Mr. Murari Rajan, Executive Director, Piramal Enterprises and Mr. Rajesh Laddha our CFO.

We hope you have received the press release, results in the stock exchange format and the analyst presentation that we sent out earlier. These are also posted on our website www.piramalhealthcare.com on the investors section. We will be using the analyst presentation as a reference document. It is appropriate to mention here that the discussion today may include some forward looking statements and these must be viewed in conjunction with the risks that our businesses face. The duration of this call is 1 hour. I would request you to kindly send your queries which remain unanswered during the call to our e-mail id investor.relations@piramal.com. Mr. Piramal will now take us through the deals that we have done in the last six months, the Board's buyback proposal and will be discussing the quarterly performance, over to Mr. Piramal.

Ajay Piramal

Good evening. As I mentioned earlier, the last six months have been exceptional due to the sale of the domestic formulations business and our shareholding in our subsidiary Piramal Diagnostic Services Private Limited.

As you would recollect in May 2010, we signed a definitive agreement to sell our domestic formulations business excluding OTC and our joint venture

with Allergan to Abbott for a consideration of \$3.8 billion. This deal valued the domestic formulations business at 9x sales and about 30x EBITDA. The valuation multiples are higher than for any deal done in the branded generic segment globally.

I am happy to say that on September 8, 2010, we closed this transaction and received \$2.2 billion as an upfront payment. We will be receiving the remaining \$1.6 billion in four tranches beginning from the next financial year onwards. In June 2010, we announced the sell of our shareholding in our subsidiary Piramal Diagnostics to Super Religare Laboratories for consideration of Rs. 600 crores. This valued our diagnostic services business at 3x sales and about 16x EBITDA. Again these valuation multiples are one of the best in class in this industry. This deal was also completed in this quarter on August 23, 2010.

Through these deals, we believe, we have unlocked tremendous value for our shareholders. Having created value for the company, we thought it was the time now to reward our shareholders. Hence, in the meeting held earlier today, the board has considered and approved the buyback of 41.8 million shares which represents 20% of the equity at a price of Rs. 600. The board evaluated various alternatives for rewarding shareholders and concluded that a buyback was the best way to maximize value to shareholders.

As you know in the case of dividend, the company has to pay 16.6% dividend distribution tax. However, in the case of a buyback, there is no such tax incidence and the tax impact would be minimal at the shareholder level. Hence, the Board authorized a buyback of 20% of the outstanding share capital at Rs. 600 per share. This buyback price represents a premium of 19% over the last three months price, this will involve an outlay of Rs. 2,508 crores. The buyback process will be completed by the end of this financial year.

We are in the process of evaluating various options for utilizing the remaining proceeds. We have not decided or short listed any sector. We will continue to invest in our existing business of pharma solutions, critical care and OTC.

Coming to the performance of this quarter, it is truly an abnormal quarter as most of the management time was focused mainly on closing this transaction. There were uncertainties in the employees minds and uncertainties in manufacturing and supply chain. This has, to some extent impacted the performance of our business. Going forward, we expect the business to return to its normal growth trajectory. So this time we are not spending too much time on going through each item in the income statement because as you will see there are exceptional items on the income side as well as there are several onetime charges that have been also taken on the expense side. I will now throw open the floor for Q&A and we will answer all of them. Thank you.

Moderator Thank you very much. Ladies and gentleman, we will now begin the question and answer session. Our first question is from the line of Bhagvan Chaudhary of India Nivesh, please go ahead.

Bhagvan Chaudhary Thank you. My question is regarding the buyback offer, I could not go through the exact figures, so could you repeat please?

Ajay Piramal The buyback is at the price of Rs. 600, 20% of the shareholding will be bought back through a tender process. Everybody is going to participate in it including the Promoters and the total outflow of the company will be Rs. 2,508 crores.

Bhagvan Chaudhary Okay thank you.

Moderator Thank you Mr. Chaudhary. Our next question is from the line of Sonal Gupta of UBS Securities, please go ahead.

Sonal Gupta Yes hi, good evening everyone. My question was on really the buyback price of Rs. 600, it seems to be less, I mean if you were to sort of take the value of just the cash which the company is going to get out of the sell of Piramal's domestic business, so I just want to understand what is the rationale because clearly at that price does not seem to make sense to tender the shares at Rs. 600, so I would like to understand how did you arrive at the Rs. 600 value?

Ajay Piramal First of all let me tell you that everybody is participating in the buyback or let's say that the Promoters are definitely participating in the buyback and the

reason we looked at it is that this represents a premium of 19% to the price which was in the three months average. Secondly, we believe that there will be enough opportunities to invest this money that we have got; the balance that is remaining and the balance money that is in hand today is going to be about in the region of Rs. 3,000 to Rs. 3,500 crores because we have to pay tax on it also on the buyback and also some of the loans that we are repaying. So, therefore, we felt that this was a fair amount from the total available to keep some amount for new ventures as well.

Sonal Gupta Right, okay, but if you were to just take value of the company on a cash value basis also it will probably still be more than Rs. 600.

Ajay Piramal Sure, but we expect to invest this money wisely otherwise we would have distributed everything in cash.

Sonal Gupta And sir just one more thing, you think that promoters will subscribe to 20%?

Ajay Piramal Yes that is right.

Sonal Gupta Thank you sir.

Moderator Thank you Mr. Gupta. Our next question is from the line of Ranjit Kapadia of HDFC, please go ahead.

Ranjit Kapadia Can you just throw some light if the shareholder does not want to participate in the buyback offer then what happens?

Rajesh Laddha If the shareholders participate to a lesser extent, Promoters will match that ratio and it will be again in the equal participation. So suppose rest of the shareholders come back with the assume that 50:50 is the shareholding pattern, the rest of the shareholders total buyback offer for them is say 8%, then even Promoters will subscribe to 8%, so the total will be 16% as opposed to 20%.

Ranjit Kapadia So you mean to say that if the shareholder subscribe only to 5%, promoters will only put 5%.

Rajesh Laddha Yes that is right. That is how it will be proportionately offered.

- Ranjit Kapadia** Okay and if the shareholders resist to offer any shares then what will happen?
- Ajay Piramal** Then it will remain, we will invest the money in the business.
- Ranjit Kapadia** Okay. Yes thank you.
- Moderator** Thank you Mr. Kapadia. Our next question is from the line of Ritesh Shah of IDFC, please go ahead.
- Ritesh Shah** Hi, good evening, what is the amount of cash which is there on the books right now?
- Rajesh Laddha** So for the year after paying the taxes, we would have around Rs. 5,500 to Rs. 6,000 crores because we are also paying taxes to the extent of about Rs. 3,600 to Rs.3,700 crores. Out of that we are proposing that this buyback assuming that the 20% offer is there, we would be spending about Rs.2,500 crores and we would be left with about Rs.3,500 crores of cash as at March 11 for the whole year.
- Ritesh Shah** Rs.3,500 crores.
- Rajesh Laddha** Roughly yes.
- Ritesh Shah** But our net proceeds were about Rs.16,000 crores right.
- Rajesh Laddha** Our next proceed will be in September 2011, which is \$400 million.
- Ajay Piramal** So our net proceeds were about Rs.10,000 crores as you know that we are going to get the balance \$400 million in four different installments bringing a total of \$1.6 billion over the next four years.
- Ritesh Shah** Thanks.
- Moderator** Thank you Mr. Shah. Our next question is from the line of Ashish Thakkar of Emkay Global, please go ahead.

Manoj Garg Good evening, this is Manoj here. Just to understand, where are we going to decide about the utilization of balance cash and what kind of time frame which you are looking at?

Ajay Piramal You know, it will take a little bit of time because if you look at it almost 11,000 crores to invest in the next 3 to 4 years, if I take the future inflow of \$1.6 billion as well. Therefore, we will have to take time and I do not or cannot give a time limit but definitely it will be more than six months. I think in some ways we are building a whole new part of the company and I expect that if we do it wisely, this will create significant returns in the future. Therefore, we will not find this company the same as it is today after two years I hope.

Manoj Garg Okay, fair enough. Second thing I can understand the kind of disturbance which is there in the matter of people with regard to domestic formulation business but one look at the Critical Care business again, you know it has a decline of around 27% to 28% during the quarter. Could you please put some light on this?

Ajay Piramal You know during this quarter, during these first few months you must also appreciate that there has been a lot of shifting of productions from one manufacturing site to the other. There has been uncertainty in the people and the focus of the management was also in actually completing this whole transaction. That is why it is one of the reasons why you find that the performance is below. I think we will start, you will see better traction in the quarters to come.

Manoj Garg So can we expect may be the recovery in the second half and may be the guidance which we have given at the beginning of the year with regard to our critical care business to attain those number?

Ajay Piramal Some guidance we will have to revise I think, we will come back with it in the next quarterly meeting because some of it we will not be able to make up for the first six months. We did not realize that there would be so much of disruption frankly in the business as of now. But I think with the overall transaction being so important we felt it was better to focus on that.

- Manoj Garg** Okay. That is it from my side, wish you all the best, thank you.
- Moderator** Thank you. Our next question is from the line of Ramesh Kumar of Cedar Securities, please go ahead.
- Ramesh Kumar** Sir my question is that in case you are getting 25% as a tender then Promoter will be tendering their shares or not?
- Ajay Piramal** We will tender the shares in the same proportion as what the public tenders so that at the end of this whole thing our shareholding will remain the same as it was for others.
- Ramesh Kumar** Sir, my second question is that, you are telling this is the tax efficient method, but when we are tendering the shares then it will be subject to long or short-term capital gain which I think it is coming to par with the dividend.
- Ajay Piramal** Dividend tax is about 17%, if you are an FII or a Mutual Fund, you will have no taxation. If you are an individual retail investor, if you are a long-term investor you will have capital gain tax which is about 10%.
- Ramesh Kumar** We are a corporate then; it is coming to same thing sir.
- Ajay Piramal** No, you will get long-term, no?
- Rajesh Laddha** Even if you have a corporate you will get long-term if you have remained invested for more than 12 months.
- Ramesh Kumar** But if not subject to STT sir, so it will be subject to indexation?
- Rajesh Laddha** Then the tax rate will be 20% and the cost of acquisition will be much lower.
- Ramesh Kumar** Yes but some concerns are there sir.
- Ajay Piramal** Yes, but the majority of them would fall in the category of long-term investors or they would be in the FIIs or Mutual Funds.
- Ramesh Kumar** Thanks sir.

- Moderator** Thank you Mr. Kumar. The next question is from the line of Monica Joshi of Avendus Capital, please go ahead.
- Monica Joshi** Yes, hi, good evening and thank you for taking my question. I am a least confused here, if you could just help us out. I thought that the sell to Super Religare was in cash, now what we see here is there is some sort of equity in Super Religare and some redeemable debentures. Sir, have you received the Rs.300 crores or have you not received the Rs.300 crores?
- Ajay Piramal** We have received Rs. 300 crores, the balance of the money we will receive in the next 12 to 18 months through the debentures on one hand as well as through equity. Now this is a guaranteed return, so we will get this amount the balance Rs. 300 crore plus the interest on it in the next 12 to 18 months.
- Monica Joshi** Okay, so the first Rs.300 crores is cash, is it?
- Ajay Piramal** Yes.
- Monica Joshi** Okay then why does it say here that it is equity because the consideration has been discharged by cash of Rs.66.35 crores, that is what it says so.
- Rajesh Laddha** The total consideration was Rs.600 crores. Piramal Diagnostics has received about Rs. 230 crores in cash. That cash got used to discharge the loan which Piramal Healthcare had given to Piramal Diagnostics. About Rs.70 crores of cash has been paid to Piramal Healthcare, so that is how it becomes Rs.300 crores of total cash consideration. The balance Rs.300 crore which is in terms of shares of Religare and debentures of Religare is going to come back to us with an IRR of 10% over next 12 to 18 months time and that is guaranteed.
- Monica Joshi** Well okay, thank you.
- Moderator** Thank you Mr. Joshi. Our next question is from the line of Khushbu Patawari of Subhkam, please go ahead.
- Khushbu Patawari** Sir, you mentioned last quarter when you was speaking in the concall that you will be going to put some amount in Biotech business, CRAMS and Biotech, any light on that?

- Ajay Piramal** We did not say Biotech, we said CRAMS is what we are continuing to do. So in the future our strategy will be to put some amount of investment in the existing businesses and look at also other opportunities outside.
- Khushbu Patawari** Okay, sir you mentioned for some inorganic growth there, so anything on that?
- Ajay Piramal** Nothing is concretized yet, as and when it is done we will let you know.
- Khushbu Patawari** Okay sir, thank you.
- Moderator** Thank you. Our next question is from the line of Nimish Desai of Motilal Oswal Securities Limited, please go ahead.
- Nimish Desai** Hi, good evening, just a couple of questions. It was mentioned in the call that most of the energy during the quarter was focused on completing this deal, what I wanted to understand is obviously we are seeing some kind of a degrowth in the residual businesses. Now this degrowth is only because temporarily the management focus was elsewhere or is there something inherently wrong or some problems have happened in this business, basically in the critical care business?
- Ajay Piramal** As I said, one is, there was not enough focus. There is nothing inherently wrong. Also you know there has been a lot of transition because some manufacturing locations have gone to Abbott; some of them remained with us, so the products moving from one site to the other has also taken some toll on the whole performance.
- Nimish Desai** But just to get a clarity here. From whatever we know the only manufacturing site which got transferred to Abbott was domestic formulations facility right?
- Ajay Piramal** That's right but, therefore, in the domestic formulation facility for instance we manufacture Haemaccel for the global market. We manufacture all the OTC products over there as well. So they have to move from one to the other. The whole supply chain in terms of organization had to be split. The

people who are doing different parts of the supply chain, some have moved to Abbott, so on.

Nimish Desai Okay and the connected question is, obviously we are seeing a negative EBITDA that has got to do with only the top line decline or there were some one-time charges above the EBITDA line which have been taken in?

Ajay Piramal Yes. So there were lots of one-time charges that have been also taken in. The way the accounting is done certain charges have to be taken out as above the line. For instance we paid a one-time bonus to all the employees, both within the company and those who are going to Abbott.

Nimish Desai Sure.

Ajay Piramal Those expenses, like that there are several other such expenses that we have had to take. So that's why I said please do not go by these numbers; they will really deceive you.

Nimish Desai Can you quantify the total one-time charges you would have taken above the.....?

Ajay Piramal It is difficult to do that now.

Nimish Desai Okay. The second question is more at a macro level. I mean, if I look at your residual businesses, directly indirectly they are still forming a part of the overall healthcare space. Now, obviously you are going to invest this surplus money in other businesses. What I wanted to have a feel on was, may be say, one or two years down the line when you have taken your decision about investing this cash, would this company still look like broadly a healthcare company or it would look dramatically different from a healthcare company?

Ajay Piramal I think it will look dramatically different. Whereas it does not mean that these businesses that we are in will not grow. They will grow, but the amount of funds that are available in our hand I do not think the pharmaceutical space can absorb so much of funds wisely. Therefore we will have to look at other opportunities beyond pharma. And if you look at it, these businesses cannot absorb this money. Even with so many years in this business our total fixed

assets components is in the region of about 1,500 crores today. We have Rs.11,000 crores roughly; without any debt. So, if I have to even employ this, there will be other places that we will have to look at. And we do not believe that we should, just to acquisitions the pharma space for any ridiculous valuation. So always for us value creation will be important.

Nimish Desai Right. So at this stage any major businesses that you would say you would want to rule out that you will not go into those businesses. Like I have seen some press reports attributing to you that real estate is one option that you will not consider.

Ajay Piramal That is right. So real estate, we are not considering in Piramal Healthcare.

Nimish Desai Okay. Any such other businesses that you would want to rule out;outright?

Ajay Piramal Not really, I mean the basics, some businesses like liquor and cigarettes and all that we would not do but that is that is very broad. There is no other business till now that I can say.

Nimish Desai Okay and last question is according to you by when would investors get a clarity on how this cash is going to be deployed?

Ajay Piramal I have answered that in the earlier part as well, I do not know when. Please understand that this is a large amount of money and we want to build a company for the next 20 years at least. So we need to think and we will not be pushed and be in a hurry. We will do it I think with all due deliberation. So I cannot at this moment give you a time limit. I also know that within six months it will not happen.

Nimish Desai Okay fine that helps. Thanks a lot gentleman.

Moderator Thank you Mr. Desai. Our next question is from the line of Akshat Vyas of Anvil Shares. Please go ahead.

Akshat Vyas How much is the residual cash after the buyback of the shares?

Ajay Piramal Will be about Rs.3,000 - Rs.3,500 crores.

Akshat Vyas Ok Sir. Thank you.

Moderator Thank you Mr. Vyas. Our next question is from the line of Runjhun Jain of Nirmal Bang Security. Please go ahead.

Runjhun Jain Good afternoon sir. I would like to know your outlook or the picture about the remaining businesses you have. You have now on only 37% or 40% of businesses remaining. What is your outlook on that? How you want to grow it and also can you give some outline, some color on the savings you would be doing in terms of employee cost because this quarter you have taken full employee cost. With Abbott deal, there would be some employees probably going to the Abbott. So can you give some light on that?

Ajay Piramal As far as the existing businesses that remain with us, we are optimistic about these businesses. That is why we have retained them. We have three major businesses that we are in, one is the custom manufacturing business. We are optimistic about its performance in the long term. We believe that this business is poised for growth. We do not need too much of capital investments in this business going forward for the next couple of years and we will continue to build on this. The next business after this is the critical care business; where we are seeing that there is good acceptance of our products, it is a highly competitive business and we believe that we should continue to grow in this. We have a Desflurane which is a new product for us, which should get launched because of certain legal issue; the case is going on. We hope that we should be able to launch it after this case is settled amicably. We believe that in this business we will have to invest in building this business ahead in the future. The OTC business is a good business for us. We are investing in building brands over here and we think that as the whole India grows, we will have a good opportunity in this.

Runjhun Jain And about the employee saving and employee cost sir?

Ajay Piramal I think that we will give to you. Sagar will give that to you.

Runjhun Jain Okay and sir any kind of margin outlook in this remaining business?

Ajay Piramal We will give this, I think in the next quarter. We will look at these and give you these numbers in the next quarter.

Runjhun Jain Okay thank you Sir.

Moderator Thank you Ms. Jain. Our next question is from the line of Manish Jain of Axis Holdings. Please go ahead.

Manish Jain Yes. First of all congrats on this brilliant financial decision to do buyback instead of dividend. Main thing is Piramal Life Sciences needs money to invest and Piramal Healthcare has tons of it, any chances of merging the two entities?

Ajay Piramal This is a question that the Board will consider. The whole circumstances today are very different from when we did the demerger. Piramal Life Sciences has moved ahead in its discovery program on the one hand. On the other hand now today as you know we have as you said lot more funds so, therefore, the appetite to take risk in Piramal Healthcare is more. So these are the two factors and in some time the Board will take a view on this both the Boards rather.

Manish Jain Congrats again, brilliant decision.

Moderator Thank you Mr. Jain. Our next question is from the line of Sanket Dhake of Span Capital Services. Please go ahead.

Sanket Dhake Sir I heard you on TV that you are saying that the dividend declared for the investor will be around Rs.103 and for the FII will be around 120. I could not get the maths exactly, can you throw light on that?

Ajay Piramal No, what I have said is, when we are saying Rs. 600, we are giving for the share of 20% that means per share Rs.120 is being distributed by the company. And I was trying to compare the buyback vis-à-vis the dividend. So if the company decided to give Rs.120 per share, if it was a dividend, then the money in the hands of the shareholder would have been Rs.103 after the deduction of the dividend tax by the company. When it is a buyback, if you are a FII or a mutual fund there is no tax; so you will get Rs.120. On the

other hand if you are an individual then you would be subject to long term capital gain which would be 10% so in other words the money in your hand would be Rs.110. That is what I meant.

Sanket Dhake So out and out around Rs. 2,600 crores if you would have declared the dividend?

Ajay Piramal If we would have declared the dividend of Rs.2,500 crores then per share an individual or anybody would have got Rs.103. Now you will get anywhere between Rs.110-120 approximately.

Sanket Dhake Okay. Thank you.

Keshwindar Suri There is another question. This is Keshwindar Suri, a colleague of Sanket. In terms of the agreement with Abbott what kind of non-compete clause you have? I mean you spoke about saying that there is lot of opportunities in the pharma space, but I believe the agreement would provide a limitation for you to enter into space for a limited period of time.

Ajay Piramal The Abbott agreement on non-compete clause says that you cannot do a branded generics, the same branded generics that you sold to them in India – In a sense that is the main thing for a limited time.

Keshwindar Suri Could you quantify the period.

Ajay Piramal Eight years.

Keshwindar Suri Okay thank you so much.

Moderator Thank you. Our next question is from the line of Kiran Chheda of Value Quest Research. Please go ahead.

Kiran Chheda Sir, what was the one time bonus expense given to employees in this quarter?

Ajay Piramal 120 crores.

Kiran Chheda And were there any other one-time expenses?

- Ajay Piramal** Yes, there are quite a few one-time expenses.
- Kiran Chheda** Could you give that amount?
- Ajay Piramal** It is very difficult as I said to an earlier questioner as well to quantify exactly.
- Kiran Chheda** Okay sir, thanks a lot.
- Moderator** Thank you, Mr. Chheda. Our next question is from the line of Kunal Bhakta of Lakhpati Advisors. Please go ahead.
- Kunal Bhakta** Good evening, my question is with regard to the VFCD unit at Thane. Have all the employees at the unit opted for the VRS or there are some employees who are still contesting it?
- Ajay Piramal** All have opted for VRS.
- Kunal Bhakta** Okay, what is the current status in terms of that land and what are the plans?
- Ajay Piramal** As far the land is concern this land was never a part of Piramal Healthcare. If you may remember, we had a few years ago in 1996 actually split the business of the Roche company into two parts – one was the pharmaceutical business and all the real estate was put in one business and the shareholders were given mirror image holding of both the pharmaceutical as well as the real estate.
- Kunal Bhakta** Right.
- Ajay Piramal** You know where crossroad and all this was.
- Kunal Bhakta** Right. That is Peninsula.
- Ajay Piramal** Critical was merged into Piramal Healthcare. The balance remains in that other listed entity.
- Kunal Bhakta** So this land is owned by Peninsula, is it?
- Ajay Piramal** It is not now owned by Peninsula but yes it was part of Peninsula, you are right.

- Kunal Bhakta** Okay, so there is no further expenditure in respect of this closure which is to be incurred right?
- Ajay Piramal** No, now we have shifted the manufacturing to our location in Mahad and Digwal.
- Kunal Bhakta** Okay, there is another joint venture company where we have divested stake, Arkray Piramal Medical?
- Ajay Piramal** Yes.
- Kunal Bhakta** So what was the revenue in this JV for the six months.
- Ajay Piramal** Arkray we will get about 9 crores, it was not a profit. On the transaction we will get about Rs. 9 crores.
- Rajesh Laddha** We booked a profit of about 17 crores during this quarter on the sale of this entire.
- Kunal Bhakta** That is fine. I am trying to understand what the scale of that business.
- Rajesh Laddha** 15-20 crores a year.
- Kunal Bhakta** Okay, and there is also a note which mentions that there some VRS in respect of a subsidiary company.
- Rajesh Laddha** This is at our UK and Canada locations. That is where we had done this about Rs. 6-7 crores of total VRS.
- Kunal Bhakta** Okay, so that will not be significant in terms of annual staff cost savings?
- Ajay Piramal** Not really.
- Rajesh Laddha** It will not be but yes at overseas locations we have this continued operations improvement programs.
- Kunal Bhakta** And if we look at our balancesheet as on September the abridged balance sheet which is given there is an amount in loans and advances of Rs. 7,589 crores, so portion of this would be advance tax? Right?

- Rajesh Laddha** Yes.
- Kunal Bhakta** And the balance there is a significant jump from Rs. 509 crores. So is this like advances given to some group companies or how is it?
- Rajesh Laddha** No this is the surplus investment which we have made into liquid funds etc.
- Kunal Bhakta** No, but that is the, Rs. 5,156 crores which is shown under investments. I am talking about the figure under the loans and advances.
- Rajesh Laddha** Loans and advances cannot be Rs. 7,000 crores.
- Ajay Piramal** Where is it shown?
- Kunal Bhakta** It is on page 4 of the document.
- Rajesh Laddha** No, this is the receivable from Abbott, I am sorry, this is the \$1.6 billion which is yet to come.
- Kunal Bhakta** Okay.
- Rajesh Laddha** We have taken that as an income and receivable from Abbott.
- Kunal Bhakta** Okay fine that answers my questions. Thanks.
- Moderator** Our next question from the line of Bhavin Shah of Dolat Capital Market. Please go ahead.
- Bhavin Shah** Thanks, one quick question sir. The Minrad number for the quarter?
- Ajay Piramal** We are not giving it separately.
- Bhavin Shah** Thanks so much sir.
- Moderator** Thank you. Mr. Shah and our next question is from the line of Paras S of PCS Securities. Please go ahead.

Paras S Yes. I would like to understand what are the main areas now in your OTC portfolio and going forward which are therapeutic areas where you want to focus in the OTC segment?

Ajay Piramal the OTC segment today, the brands that we have, the big brands are Lacto Calamine which is in the whole the dermatology space. We have Saridon which is in the pain space. We have I-pill which is a contraceptive pill. We have Superactive which is in the minerals and the vitamins space. And then we have Polycrol which is an antacid. So these are the big brands that we have today.

Paras S Okay, so going forward.

Ajay Piramal We will look at the OTC space is more than the therapeutic areas, frankly it is the distribution and marketing. So we are looking at other areas as well as in OTC. So these are the big areas you know, so pain is a big area, dermatology is a big area. So these are the same areas that we will look in. We could add a couple more.

Paras S But in the non-compete clause you can go ahead and do some acquisitions in the OTC area?

Ajay Piramal Yes anything that is OTC we can do. Anything which is patented also in the branded area we can do.

Paras S Okay and just more question to your CFO if you can answer, I mean, I may be wrong. You said once somebody tenders the shares as a buyback, he will have a 10% long term capital gain. But actually in the market if I sell my shares I do not have any long term capital gain as of now except the short term capital gain. Is it there exclusively for buyback agreements? Or how does it go again?

Rajesh Laddha If you do not sell it on market and if you have held the shares for more than 12 months it will attract long term capital gain tax of 10% without indexation.

Paras S For buyback there is a long term capital gains....

- Rajesh Laddha** You are not trading on the market, it is directly with the company and you will save STT and you will pay this tax.
- Paras S** Okay, thanks a lot.
- Moderator** Thank you. Our next question is from the line of Ritesh Shah of IDFC. Please go ahead.
- Ritesh Shah** When will this tender be officially started?
- Ajay Piramal** All the procedures will go on, we need the approvals of shareholders first and then SEBI. So sometime in January or February of 2011 would be the tender offer.
- Ritesh Shah** Okay, thanks.
- Moderator** Thank you. Our next question is from the line of Monica Joshi of Aventus Capital. Please go head.
- Monica Joshi** Hi, if I remember correctly about last year, we had announced some plans for a Sikkim manufacturing unit. Can you just clarify if that also is going to Abbott?
- Ajay Piramal** No, we did not do that because of this transaction. We did not pursue that.
- Monica Joshi** So there is no investments going on?
- Ajay Piramal** That is right.
- Monica Joshi** Thank you so much.
- Moderator** Thank you. Our next question is from the line Nimish Desai of Motilal Oswal Securities Ltd. Please go ahead.
- Nimish Desai** Yeah, just a follow up question, this is regarding the residual business. Now can you give us a macro feel as to all these businesses put together, do they make profits at the net profit level or are they breakeven or they are loss making as of now?

- Ajay Piramal** They are making profits. They are doing net profit.
- Nimish Desai** Okay thank you so much.
- Moderator** Thank you Mr. Nimish Desai. Our next question is from of Saravanan V. of Unifi Capital. Please go ahead.
- Saravanan V.** Hello good evening sir. My question is would you rule out long gestation projects, just as you ruled out cigarette, liquors, real estate business and like power sector?
- Ajay Piramal** No, I am not ruling out any sector, this was very board somebody asked me that is why I said.
- Saravanan V.** Okay sir thank you.
- Moderator** Thank you. Our next question is from the line of Ravi Agarwal of Edelweiss Please go ahead.
- Ravi Agarwal** Yes just one quick question. What would be the recorde date? Record date will happen after the shareholders approval or it starts post the announcements?
- Rajesh Laddha** Yes record date will happen sometime in mid January. There is no record date per say but as and when after we receive the SEBI approval , when we open the offer that will be the record date.
- Ravi Agarwal** So first is the shareholders approval then SEBI approval or both go together?
- Rajesh Laddha** No, first it will be shareholders approval by postal ballot, post which we will have to file the letter of offer with SEBI.
- Ravi Agarwal** And the shareholder approval is a simple majority?
- Rajesh Laddha** Special resolution.
- Ravi Agarwal** Okay thank you.

Moderator Thank you. It appears that there are no further questions at this time. I now hand the conference over to Mr. Sagar Gokani for closing comments.

Sagar Gokani Thank you everyone for participating in the call. In case you have any other question, please feel free to reach me or Prasad. Thank you.

Moderator Thank you Mr. Gokani, thank you members of the management team. Ladies and gentlemen on behalf of Piramal Healthcare Limited that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.