



## Piramal Healthcare Limited

Q2 FY2012 Results Conference Call

20 October 2011

**Moderator:** Ladies and gentlemen good day and welcome to the Piramal Healthcare Limited Q2 and H1 FY2012 results conference call. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. 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 pressing "\*" followed by "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Sagar Gokani from Investor Relations team. Thank you and over to you Sir.

**Sagar Gokani:** Good afternoon to all of you. Welcome to Piramal Healthcare Limited's second quarter results conference call.

Joining me on the call are Mr. Ajay Piramal, Chairman, Mr. N. Santhanam, Chief Operating Officer and Mr. Rajesh Laddha, Chief Financial Officer.

We hope you have received the press release, results in the stock exchange format and the analyst presentation that we sent out. These are also posted on our website [www.piramalhealthcare.com](http://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 faces. The duration of this call is one hour, I would request you to send your queries, which remain unanswered during the call to our e-mail id [investor.relations@piramal.com](mailto:investor.relations@piramal.com).

Like every time, Mr. Rajesh Laddha will take us through some of the financials for the quarter and then Mr. Piramal will talk about the broad outlook for the company.

**Rajesh Laddha:** Good evening to all of you. At the outset, I would like to bring into your notice that the reported number for Q2 FY2012 that you are seeing in the SEBI format results are not comparable with the same period last year due to the sale of Healthcare Solutions Business in September 2010 and our shareholding in Piramal Diagnostics in August 2010. The numbers for Q2 does not include sales and expenses of Healthcare Solutions and Pathlabs business. Hence these numbers are not comparable but we have presented the numbers for the continuing businesses in the analyst presentation.

If you look at slide 4 of the analyst presentation, you will see the business mix for continuing businesses.

- Sales from our Pharma Solution Business grew by 32.4% and were Rs. 305.1 Crores for the quarter and pharma solution sales from India grew by 82.7% to Rs. 187.4 Crores for the quarter. Sales have commenced from contracts where there were no off-takes earlier. We have seen good growth in Pharma Solutions businesses during last four quarters now. Growth has been very strong in our commercial API and formulation manufacturing businesses from India.
- Sales from our Critical Care Business grew by 43% to Rs. 91.6 Crores during this quarter. The crisis in Middle East that impacted our sales in last quarter, which was Q1 of 2012 is now resolved in most of the countries and sales are normal. For Sevoflurane we have got registration approval for European countries and we are in the process of appointing distributors and setting up other infrastructure. We expect to commence sales by end of financial year 2012.

- OTC and Allergan sales are up by 58.9% to Rs. 57.1 Crores. We have seen almost 100% growth rate in OTC business during this quarter.
- While we have seen extremely high growth in all our existing businesses in first half of FY2012; it is unlikely that we will have such high growth in second half of 2012. We expect on a full year basis to register a 20% sales growth for all our pharma related businesses.
- The 'Others' category from this quarter includes income from our financial services business. In this quarter we have some income from IndiaReit fund. While team has been in place at PHL Finance, the real estate lending arm of ours, lending has not commenced yet hence there is no income from lending in this quarter.
- The interest income from investments in this quarter was Rs. 50.5 Crores. This income was lower than Rs. 71 Crores reported in Q1 FY2012 due to our investment of Rs. 2,900 Crores in acquiring 5.5% stake in Vodafone during August 2011.

If you come to Page 5, you will see

- Total operating income from continuing businesses has grown by 32.0% in Q2 FY2012 to Rs. 534.7 Crores.
- We have a forex gain of Rs. 102.6 Crores towards forex cover on receivable from Abbott. We will have forex gain coming every quarter on account of amortization of premium till the time all outstanding amounts have been received from Abbott.
- Staff cost as a percentage to sales are higher by 3% as compared to Q1 FY2012 mainly because of payment of performance pay and effect of increments during this quarter. This is a one time expense,

one time hit and we expect the Q3 and Q4 to be normal comparable to Q1.

- Operating profit for the quarter was higher at Rs. 129.8 Crores as compared to operating loss of Rs. 38.6 Crores for Q2 FY2011.
- Tax rate for the quarter was higher close to about 34%; however after the demerger of PLSL NCE Research into PHL, which will be completed in Q3 of FY2012. Our full year tax rate would be about 7% – 8%.
- In Q2 FY2011, that is the same quarter last year, we had an exceptional income of Rs. 16,224 Crores towards sale of our Healthcare Solution business to Abbott. Hence, net profit that is profit after tax for the quarter was lower at Rs. 52.4 Crores in Q2 FY2012. EPS for quarter was Rs. 3.1 per share.

If you look at balance sheet on page 6, we have changed the reporting format to be consistent with the new schedule VI requirements prescribed by Ministry of Corporate Affairs. Some points to be noted there,

- We have paid Rs. 233 Crores towards dividend during the quarter.
- We have also invested Rs. 2,860 Crores towards buying 5.5% stake in Vodafone that is reflected in other non-current assets.
- During this quarter we have also received first tranche due from Abbott, which is Rs. 1,850 Crores.

If you look at some of the balance sheet ratios,

- Debt to equity continues to be negligible at 0.09. Debt as on September 30 has gone up by Rs. 200 Crores as we have taken

some working capital loans, mainly PCFC and replaced some internal funding with foreign currency loan in US at very low interest rates.

- Our book value per share is Rs. 708.2.
- The inventory days and receivable days looks higher for the quarter as compared to the number for the full year FY2011 as the sales number for full year had domestic formulations and diagnostic sales for two quarters. The inventory days are also higher due to stocking of raw materials as we are seeing shortage of some raw materials in critical care business. The inventory in Pharma solutions business is also higher in anticipation of higher sales in coming quarters.
- The return ratios appear subdued as the large majority of our capital asset is in form of receivable or is invested in liquid assets. While these resources currently earn sub optimal returns and drag down the overall return ratios, we are confident that these liquid resources will be deployed in businesses that give enhanced and sustained returns going forward.

That is all from my side. I would now like to handover to Mr. Piramal for future outlook of the company. Thank you.

**Ajay Piramal:** Good afternoon. There are questions in the minds of the analysts and investor community as to how we are going to invest the proceeds from Abbott and PDSL deal. At Piramal Healthcare, we are committed to creating long-term value for our stakeholders. We are at an important juncture both in the history of the company as well as the nation. We believe there are enough opportunities available and we have the resources to capitalize on the same. In the last quarter, we have shared a broad roadmap of our investment plan; we keep evaluating opportunities

across existing and new businesses and will do our investment only if it meets our financial and strategic criteria.

Protecting value in bad times and creating value in upturns shall be our single largest objective at PHL. With the current turmoil in the global economy, we shall restrain ourselves from participating in opportunities that give us sub optimal returns. We have waited for the last twelve months and this in hindsight has proved to be the right decision. The sensex has fallen by 18% in the last one year and the markets worldwide have performed badly. While we may take some more time, we consider time to be friend at this time. As each day goes by we believe there will be many more opportunities.

Managing a vast treasury in the largest business in PHL today but we do not intend to make it as a core business so it is our belief that we are in a transition phase and shall see enhanced value creation in different stages. It is our endeavor to fully invest these resources in businesses that shall dramatically improve our ROCE from current levels.

We have had a tremendous track record of creating value for our shareholders. If we were to consider the cash and investments at book value with the company today, in the last ten years the value of PHL as a company has grown at CAGR of 34% as compared in the same period of 21% for the sensex and 19% for the BSE Healthcare in that sense. This track record gives us the belief that capital, however large, will be deployed only in areas that continue to enhance return and create value for our shareholder.

With this we would now through the floor open for the questions and we will be able to answer them.

**Moderator:**

Thank you Sir. Ladies and gentlemen we will now begin the question and answer session. Any one who wishes to ask a question may kindly

press “\*” followed by “1” on their touchtone phone. Kindly use handsets while asking a question. Participants requested to kindly press “\*” “1” at this time. The first question is from the line of Nimish Desai from Motilal Oswal Securities. Please go ahead.

**Nimish Desai:** Good evening just two three questions. One is did I hear correct the overall top-line guidance for FY'12 is 20% for the pharma related business, is that correct?

**Rajesh Laddha:** Yes, we will be in that range Nimish, because currently we are showing about 32% to 33% for first half, point we are trying to make it that these rates are not sustainable.

**Nimish Desai:** Okay, but that would be in that in second half you would grow at about some 7% odd 6% - 7% the implied growth rate for the second half; see first half you grown at 33.4% as your presentation.....

**Rajesh Laddha:** Growth is also a function of our last year in terms of number if you see absolute numbers would be by large similar but our first half last year was very low so that is the reason we are showing in the first half of about 33% - 32% but second half would be lower so that is why we are saying we will be about 20% - 22% for the full year.

**Nimish Desai:** But, if I look at the numbers and this is the guidance for the pharma business right 20%?

**Rajesh Laddha:** Correct all existing pharma businesses together.

**Nimish Desai:** So that is Pharma Solutions, Critical Care and OTC & Ophthalmology correct?

**Rajesh Laddha:** That is right.

**Nimish Desai:** So, if I look at those numbers for first half you have grown pretty strongly Pharma Solutions is 36%, OTC is 53% so does that mean that

second half you will actually show a de-growth to reach at 20% overall growth in this businesses for full year?

**Rajesh Laddha:** Not de-growth there will be about 10% - 12% growth.

**Nimish Desai:** Okay, the other thing I wanted to understand was in your presentation you have said that there is a Rs.102 Crores of forex gain sitting out there at the EBIDTA level for the quarter. Now if I look at it in that context the pharma business is all put together have reported a loss in that sense?

**Rajesh Laddha:** For the quarter yes.

**Nimish Desai:** What would be the reason for that would it be the only the OTC business or is there something that we have missing out for the Critical Care and the Pharma Solution businesses as well in terms of profitability?

**Rajesh Laddha:** OTC we are investing heavily currently as we had explained earlier as well. This quarter we have had some other issues with regards to cost increase etc., due to various reasons; material cost we have had adverse impact due to some price hike etc., also we have some issues regards to our power and coal uses because of issues in Andhra Pradesh etc., and we also have as explained earlier some increase in staff cost for this particular quarter where the impact of performance payment and the increments have come so that will go back to the normal scenario in quarter three, and quarter four.

**Nimish Desai:** Okay, the overall profitability seems to be impacted much more significantly I understand there is some bonus payment, increments, but that should not swing the numbers so dramatically I mean input cost going up and was there any one-time element that we should be aware of in this quarter in terms of expenses or cost?

**Rajesh Laddha:** Except the staff cost I do not think there is one-time element there. There are heavy investment with regards to promotion in OTC and all those things happening right now.

**Nimish Desai:** Okay, is that number quantifiable what kind of investments are going in, in the OTC business.

**Rajesh Laddha:** We refrain from giving business wise expenses and profitability numbers.

**Nimish Desai:** Okay, then maybe let me look at it in another context; is it only the OTC business which is pulling down numbers or is it the Critical Care and the Pharma Solution business also where profitability is impacted?

**Rajesh Laddha:** I think largely OTC, which is pulling down the business. Pharma Solution and Critical Care by and large are on line barring these this quarter we have had some impacts on material cost and other input costs.

**Nimish Desai:** Okay so in that context would you want to give EBIDTA level guidance for these businesses for FY'12 all these pharma businesses put together?

**Rajesh Laddha:** Our sense right now Nimish is that where we should be having about 4% to 5% EBIDTA for all these businesses put together for the year.

**Nimish Desai:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Gaurav Sud from Kanav Capital. Please go ahead.

**Gaurav Sud:** Hi my question was basically around Piramal Life Sciences what is the level of activity happening out there and when will the de-merger happen of that company with Piramal Healthcare?

**Rajesh Laddha:** The demerger part will most probably will finish by end November or as we have said quarter three of this year. We should be able to close all the

regulatory issues there. In terms of activity I think it is the business as usual there.

**Gaurav Sud:** On the last touch point there was the discussion about a commercial drug we will be able to launch in the next one year or so. So are will still on course?

**Ajay Piramal:** Yes, we are still on course so one of our drugs we think that sometime next year will be launched.

**Sagar Gokani:** The drug that you are referring to is CarGel which was a Biosyntech product which we acquired. So for that we have done a regulatory submission with the British Health Authority and we are in discussion with that regulator as to what is the best way to progress it forward. So things are on course there.

**Gaurav Sud:** Okay, then the other question is you just said that the EBIDTA margins for the company in the pharma business on a consolidated basis for this year would be 4% - 5% so till what time do we expect this the depressed EBIDTA margins to continue before we see the numbers scaling up to double-digit?

**Ajay Piramal:** I think you see them in next year; in the financial year 2013.

**Gaurav Sud:** That is it. Thank you.

**Moderator:** Thank you. The next question is from the line of Jigar Savla from Enam Holdings. Please go ahead.

**Jigar Savla:** Sir, I wanted to ask is the exchange gain that you have reported of Rs.103 Crores I was just thinking of the hedge that you have taken on the receivable from Abbott right with the currency movement going in this favor. So maybe would have hedged around 48 levels and then

Rupee going to 49, you should have had forex loss; so I failed to understand the quantum and the nature of that gain?

**Rajesh Laddha:** So for the first half if you see we have Rs.180 Crores of forex gain; out of this we have Rs.170 Crores coming from Abbott transaction, part of it was hedged and part of it was not hedged and we have also got the first installment during September and out of Rs.170, Rs.110 Crores is on amortization of premium which we are doing every quarter based on the term of the contract.

**Jigar Savla:** Rs.110 Crores minus?

**Rajesh Laddha:** Gain I said and about Rs.60 Crores is the mark-to-market and realized gain on the tranche which we have received.

**Jigar Savla:** Okay, so going forward with the rupee further depreciating so you will be having more gain or loss?

**Rajesh Laddha:** We will not have any gain or loss as far as mark-to-market is concerned because now we are fully covered, but we are still going to have gains on the amortization of the premium which we have booked at the beginning of the transaction and we will continue having that for next three years every quarter and second half we will have about Rs.100 Crores of forex gain coming in this year.

**Jigar Savla:** Just to get a clarity on the pharma businesses that you just mentioned that if you take on 4% to 5% EBIDTA margin now what we have reported for this half is around Rs.73 Crores of EBIT and if you take Rs.56 Crores of depreciation so around Rs.16 Crores of loss at EBIDTA level and if we are anticipating a 5% margin so all we are practically saying it is a Rs.84 Crores of EBIDTA that we will be reporting in the second half on the pharma businesses?

**Rajesh Laddha:** That is right.

**Jigar Savla:** Okay, so that would be on 10% of the turnover then it was roughly Rs.800 Crores?

**Rajesh Laddha:** Yes.

**Jigar Savla:** Thank you.

**Moderator:** Thank you. The next question is from the line of Porinju Valiyath from Equity Intelligence. Please go ahead.

**Porinju Valiyath:** Good evening. Mr. Ajay Piramal, I understand your value investor and a smart dealmaker and it is proved over a period of time. Sir, I was wondering the stock price of this company; stock is at around half the book value and significantly below the intrinsic value of the company. Why not a buyback at this point of time because that is the best deal perhaps this is better than the 21% IRR?

**Ajay Piramal:** That is the question which the board will consider and it is a very relevant point and I think we are also sensitive to that and we are considering at an appropriate time just to let you know that today the company cannot think of any such action because we are awaiting the merger of the Life Sciences business in to ours.

**Porinju Valiyath:** Okay sir and just one more small question now the Piramal Life Science will continue to be listed after the demerger and the merger with PHL, there is some herbal products I think it is a small business. Do you have plans to keep this company active and that doing good business?

**Ajay Piramal:** Frankly the most of the substantive part will be merged into Piramal Healthcare. It is going to be a small part of the herbal business. The herbal businesses are very small part and I do not see that becoming very big in the future.

**Porinju Valiyath:** Okay, but you will be keeping that company active and being listed.

**Ajay Piramal:** Yes.

**Porinju Valiyath:** But, at the Piramal standard that should be some kind of size should be there you keep the company...?

**Ajay Piramal:** I know; so we will have to think about it a little more. We did not want to bring in the herbal part in the whole proprietary medicine that we are doing in Piramal Healthcare.

**Porinju Valiyath:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Gopinadha Reddy who is an Investor. Please go ahead.

**Gopinadha Reddy:** This question is to Mr. Piramal I am sorry how confident are you of a 24% compound annual growth rate there for the next decade Sir. I want to be a long-term investor in your company if this is the case be?

**Ajay Piramal:** Well I do not know we have never stated anything like 24% compounded growth I do not know where you got that number.

**Gopinadha Reddy:** No, I am not saying anything I am just guessing if it is possible. Is it your guess that you can go ahead with 24% CAGR?

**Ajay Piramal:** No, I think probably if I was you, I would look at 20% as of today then when we have more concrete plans we will share with you but 20% makes over two years here is reasonable.

**Gopinadha Reddy:** I am asking for decades one or two decades.

**Ajay Piramal:** Mr. Reddy, who knows two decades but our track record of the past is good we will try our best. But today times are uncertain.

**Gopinadha Reddy:** Yes, I understand and I agree with you fully. Thank you very much Sir.

**Moderator:** Thank you. We have a follow on question from the line of Gaurav Sud from Kanav Capital. Please go ahead.

**Gaurav Sud:** Again it is to Mr. Piramal. Partly the question is answered around the existence of Piramal Life Sciences as a separate company. So currently herbal business is like if my reading is correct it is only Rs.2 Crores – Rs.3 Crores so what was the rationale of keeping that as a separate company and are there any big plans for it?

**Ajay Piramal:** The rationale was more from Piramal Healthcare standpoint. Piramal Healthcare wanted to be a patented business, where which has patented drugs to sell globally so we thought there it would be a bit of a confusion to have this herbal in this that is why we kept it separately. Now whether it will growth big or not I cannot say but it is not going to be very big, our focus is not going to be there frankly.

**Gaurav Sud:** Okay, so if that company is going to be separately there by a very small part of the company?

**Ajay Piramal:** That is right.

**Gaurav Sud:** Thanks.

**Moderator:** Thank you. The next question is from the line of Krishna Prasad from JM Financial. Please go ahead.

**Krishna Prasad:** Hi, thanks for taking my question. I actually missed the part where you spoke about patented product, which will be launched next year so you can just talk about it a bit?

**Ajay Piramal:** We will launch a product; we have done a regulatory filing with the UK authority this year for our product CarGel. We feel we are in dialogue with them and we are hopeful that we can launch this product in the next year in Europe and going further we believe that some of the other

molecules that we had taking over from Piramal Life Sciences we could launch something in 2013.

**Krishna Prasad:** Right, so what would this be used for CarGel?

**Ajay Piramal:** This CarGel is for Cartilage repair in the knee, you know when people have rheumatoid arthritis.

**Krishna Prasad:** Thank you. That is it from my side.

**Moderator:** Thank you. We have a follow on question from the line of Nimish Desai from Motilal Oswal Securities. Please go ahead.

**Nimish Desai:** A couple of more questions one was to Rajesh there is something call other non-current liabilities which I presume is the debt right on the books?

**Sagar Gokani:** So debt is the largest portion of that and there we have long-term provisions.

**Nimish Desai:** How much would debt be?

**Sagar Gokani:** 850 Crores that is the long-term debt and then we have short-term debt as well, which is in the current liability.

**Nimish Desai:** Which is in the current liability and how much would that be?

**Sagar Gokani:** Short-term borrowing is 174 Crores.

**Nimish Desai:** The question here was we have significant amount of cash, do we need to keep this debt or what interest you are paying on debt, is it so favorable that you would not want to utilize cash to repay that debt?

**Rajesh Laddha:** All this debt of 1000 Crores Nimish, either we have PCFCs or we have in foreign currency. There the rate of interest is about 3% to 4% and currently we are generating the treasury income, which is around 9%

plus. So there is a significant arbitrage there and foreign debt we would definitely and PCFCs we would definitely like to continue.

**Nimish Desai:** Okay. The next question is to Mr. Piramal. Sir, you have already identified financial services as one of the business diversifications that we want to pursue. After doing that are you still wanting to consider entry into other non-pharma businesses or is this the business that will over a period of time consume the entire capital or cash that is available for the company?

**Ajay Piramal:** We do not foresee the financial services consuming all our capital. So we will look at other opportunities. We have been looking at it for the last 12 months and we will continue to look at them, but as I was saying that we need to be careful in this very uncertain environment and if you look at it as I said the twelve months though we have seen many opportunities we felt even the last year that the valuation that we were looking for the opportunities were very high and this is reflected if you see the actual performance as well, but that is what we will continue to look and today if you have cash, I believe that in the next six to twelve months we will have good opportunities. That is what we would do.

**Nimish Desai:** But these opportunities or all the utilization of cash would also mean inorganic opportunities in the existing pharma businesses or that is something that we should not really look forward to?

**Ajay Piramal:** We could have inorganic opportunities. If we think it is going to create long-term value, yes, we will do it.

**Nimish Desai:** Are you actively considering it or it just a thought process?

**Ajay Piramal:** We are actively considering it.

**Nimish Desai:** Actively considering, okay. The other question was slightly more strategic in nature, a follow out of your answer to the first question that

you may consider one more business in which you would want to enter, so then over a period of time what happens is you have existing pharma businesses, you have financial services then this third business that we are talking about how does the management intend to maybe if I can use the word develop the capabilities to run such a diversified operations?

**Ajay Piramal:** If you see we have actually recruited a few people in the last 12 months who have diverse capabilities and we have across the group also people who have run diverse businesses and some of our senior people within the company also have run other businesses in the past. So it would be a combination of the sum new talent that we have already got, existing talent and if necessary we will acquire some more talent, but we have set up the financial services business we have got talent which we have hired from outside.

**Nimish Desai:** Okay Sir, the other businesses that you are evaluating as you said, you need to be more careful given the current business environment; does this imply that something on that front may not happen in the near future?

**Ajay Piramal:** No, I do not think. I said within the next 6 to 12 months you should see something but let us see I just wanted to tell you that there is uncertainty around therefore we have to be just to bit careful of that is the only thing.

**Nimish Desai:** No issues Sir. I appreciate that. Thanks a lot. Thanks for answering my questions.

**Moderator:** Thank you. We have a follow-on question from the line of Porinju Valiyath from Equity Intelligence. Please go ahead.

**Porinju Valiyath:** Mr. Piramal I am a portfolio manager and I am based out of Cochin and this is my largest holding in my portfolio, which we recently acquired at these current levels. I am talking about the stock price. Now the market, when I was interacting with analyst and all people from Mumbai, I do

not know, may be because of the stock price movement of the recent past, the stock market started rating the company and the management something dull and something not desirable kind of thing, in spite of such exciting decades of smart deal making and creating wealth, so may be the reason is sometimes the general market don't like certain words like infrastructure, real estate, NBFC, and these words were used in presenting the future diversification or whatever of the company. Of course when somebody analyzed each of these aspects what the company has mentioned it is not bad, I am very confident about these ventures and I know that the management is very conservative in spending the money or investing the wealth of the company, but I think something needs to be done from the management side to give the correct picture of things. I know you are disclosing everything of the company, but you have to improve to bring back the sentiment and perception about the company, I think something very innovatively to be done by the management to say this wealth creation will continue and there could be because people ask what.

**Ajay Piramal:** We got your point. We are also considering what to do but frankly we are very open into whatever we are thinking, we are sharing with you and with the investors, but I do understand that there is some negative perception and we will try and correct it.

**Porinju Valiyath:** That is right.

**Ajay Piramal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Saravnan Vishwanathan from Unify Capital. Please go ahead.

**Saravnan Vishwanathan:** Good evening Sir. Piramal group as such would it be eligible according to the RBI draft guidelines for new banks? Would we be considering getting into the banking space?

**Ajay Piramal:** It is very difficult. These are just draft guidelines to say whether we will be eligible or not it is too early to say, but if we can in the long-term we would consider that.

**Saravnan Vishwanathan:** Thank you Sir. All the best.

**Moderator:** Thank you. The next question is from the line of Nirjhar Handa from M3 Investments. Please go ahead.

**Nirjhar Handa:** Good afternoon. I just want to know you have hedged about 80-90% of your abbott receivables at around 49 to 50, is that correct?

**Sagar Gokani:** Yes, in fact in the last quarter all of them have been hedged and the rate is around 49.50 to 50.

**Nirjhar Handa:** That is the average rate for the remaining three trenches, is that correct?

**Sagar Gokani:** Yes.

**Nirjhar Handa:** You have paid up a premium for this, which is what you are amortizing quarterly?

**Rajesh Laddha:** This premium is the difference between when we booked it and the forward rate.

**Nirjhar Handa:** At the end of each quarter?

**Sagar Gokani:** It's a gain. So when the deal was announced the rate was around 44 to 45 and most of the receivables have been booked at the rate of now at around 49.50 to 50. So the difference is actually an income, which is amortized over the period of the contract.

**Nirjhar Handa:** Fair enough so that is what will be coming over the next two to three years, which you mentioned?

**Rajesh Laddha:** That is right. Two years.

**Nirjhar Handa:** That is it from my side. Thank you.

**Moderator:** Thank you. Mr. Gokani there are no further questions in the queue Sir.

**Sagar Gokani:** Thank you very much for attending the call and if there are any other questions please feel free to reach me or Prasad. Thank you.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Piramal Healthcare Limited that concludes the conference. Thank you for joining us. You may now disconnect your lines.