



**“PIRAMAL HEALTHCARE LIMITED”  
Q1 FY2010 RESULTS CONFERENCE CALL**

Moderators: Mr. Ajay Piramal - Chairman  
Ms. Nandini Piramal – Executive Director  
Mr. N. Santhanam – Chief Operating Officer  
Mr. Murari Rajan – Executive Director, Piramal Enterprises Limited  
Mr. Sudarshan Jain – Director - Healthcare Solutions  
Mr. Rajesh Laddha – Chief Financial Officer  
Mr. Sagar Gokani/Prasad Mhatre –Investor Relations

**Moderator:** Ladies and Gentlemen, good evening and welcome to the Piramal Healthcare Limited Q1 FY'10 results conference call. As a reminder, for the duration of this conference, all participant lines will be 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 the conference call please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Sagar Gokani, Manager Investor Relations of Piramal Healthcare. Thank you and over to you sir.

**Sagar Gokani:** Good evening to all of you. Welcome to Piramal Healthcare Limited Q1 FY'10 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 Limited, Mr. Sudarshan Jain, Director Healthcare Solutions Business, Mr. Rajesh Laddha, Chief Financial Officer and Mr. Prasad Mhatre from our Investor Relations team.

We hope you have received the press release results in the stock exchange format and the analyst presentation that we have 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 for this discussion.

It is appropriate to mention here that the discussion today may include some forward looking statements and this must be viewed in conjunction with the risk that our businesses face. The duration of this call is one hour. I would request you to kindly send your queries, which remain unanswered during the call, to our email ID [investor.relations@piramal.com](mailto:investor.relations@piramal.com). Mr. Rajesh Laddha will discuss the financial highlights for the quarter and the Chairman will then talk about the broad developments and outlook of each of our businesses. I would now like to hand over to Rajesh.

**Rajesh Laddha:** Good evening to all of you. I am going to take you through the Q1 financial results for Piramal Healthcare Limited. The financial highlights are based on consolidated financial results of Piramal Healthcare Limited. The consolidated numbers apart from including the operations of Piramal Healthcare Limited, the parent company also contain the results of its subsidiaries and joint venture companies namely Torcan Chemical, Piramal Healthcare UK Limited, Allergan joint venture, Arkray Piramal joint venture, Minrad International and

Piramal Diagnostic Business. With this background, let me now take you through the numbers for the Q1.

- The total operating income for Q1 FY'10 has grown by 16.0% to Rs. 8.2 billion from Rs. 7.1 billion. The operating profit before interest depreciation and tax for the first three months ended June 30, 2009 amounted to Rs. 1.6 billion compared to Rs. 1.2 billion during the same quarter last year. Similarly, operating margin was up from 16.9% in Q1 FY'09 to 19.5% in Q1 of FY'10.
- The operating profit includes a foreign exchange gain of Rs. 44.6 million during this quarter. The operating profit margin was slightly lower than our guidance as the Minrad business has just reached breakeven during this quarter.
- The tax rate inclusive of deferred tax rate and fringe benefit tax for the three months ended June 30, 2009 was 11.7% of profit before tax.
- Net profit for the quarter was up by 25.0% to Rs. 851.0 million. Earnings per share for the quarter was up by 24.8% to Rs. 4.1 as compared to Rs. 3.3 for Q1 FY'09.
- Coming to the ratios slide, the material cost has gone up as a percentage to sales due to lower GC from Minrad business. We are consciously investing in our sales and marketing in the domestic business and towards business development spend in the CMG business and this has resulted in higher marketing and selling expenditure for the quarter.
- The other expenditure is down as a percentage of sales because of Forex gain of Rs. 44.6 million in this quarter as compared to a loss of Rs. 230.1 million in Q1 FY'09.

Now, I will take you through some balance sheet highlights.

- Total debt as of June 30, 2009 was Rs. 13.8 billion with a debt to equity ratio of approximately 1:1. Out of this debt Rs. 7.5 billion is in foreign currency. The debt has gone marginally up during this quarter as compared to cash flow from operation of Rs. 1.2 billion. We also had a dividend payment of Rs. 1.02 billion, Capex of Rs. 320 million and an increase in working capital of Rs. 320 million; hence the increase in debt level.
- Our net current assets have gone up by Rs. 1.3 billion mainly because of lower current liabilities. The primary reason for this was a provision of Rs. 1.0 billion towards dividend payment; this has been revised in this quarter following the actual payment of dividend.

- ROCE for the quarter was lower at 18.0% for the quarter as compared to 19.0% for the full year FY'09. We had capital employed in the Minrad business for the full quarter, but there was no corresponding profit and hence the ROCE was lower. Now I would like to hand over to our chairman for his comments on the performance of each businesses.

**Ajay Piramal:**

Thank you Rajesh. We continued to witness strong growth in the domestic formulations business.

- The sales of this business were up by 25.6% to Rs. 4.4 billion for this quarter. During this quarter, industry grew by 13.3%. This is on the back of a strong year last year in the domestic business, where we grew by 24.3% and the market was approximately 12% last year.
- As you can see from slide #8 of the presentation, we have outperformed the market in almost all the therapy areas and have particularly grown well in Respiratory, Anti-infective and Anti-diabetic, Dermatology and OTC businesses. The lifestyle diseases constitute about 34.0% of our portfolio. We have also launched nine new products for the year. As we shared with you earlier, we have been focusing in addition to the large cities on tier 2 cities and semi-urban market and this has helped us achieve higher growth rates in acute therapies as well.
- Our Pharma Solutions business, our custom manufacturing business sales was lower at Rs. 1.9 billion during the first quarter. Pharma Solutions revenues of facilities in India grew by 2.1% in this quarter. We had communicated at the time of our guidance that we will have a muted performance in the first half of this year in this business. This is because of the de-stocking at some of our client companies, which really began in the third and fourth quarters of last year and would extend into the first half of this year as well. In addition, we also had to shutdown our site at Huddersfield and these products will be shifted to India in the course of this year and hence we are having a de-growth in this business.
- We continued to make progress at our newly commissioned formulations development facility at Ahmedabad. We had customer audits by five out of the top 10 pharma companies. We have also had similar interest at our API development site in Ennore, which we significantly expanded last year.

- We continued to adhere to the highest standards of quality in manufacturing. We had two US FDA inspections one at our site in Pithampur in India and the other at Morpeth in UK during this quarter. Both have gone off well and have been completed without any 483. In addition, our site at Pithampur has qualified for “Frost & Sullivan Asia Manufacturing excellence award” in the platinum category.
- Dr. Ananthanarayanan has decided to move on to pursue an entrepreneurial venture. He will be leaving the company in the next few days and Mr. Santhanam, COO & Executive Director, has taken charge of this business now.
- The global critical care business has grown mainly because of the acquisition of the Minrad facility, which we did in March of 2009 and this has grown to a sales of Rs. 728.8 million as compared to Rs. 161.0 million in the same quarter last year. The Minrad business has been completely integrated with us.
- We have been able to increase production levels at Minrad and also growth of sales. Our sales for the quarter for Minrad business is at USD 9.6 million as compared to the total sales in 2008 of USD 23 million.
- Further, we have brought cost under control by improving yields and better sourcing of raw materials and as a result the Minrad business has reached breakeven in the first quarter itself and as products and sales pickup further, we will reach our desired level of profitability in this business.

This summarizes our financial performance. We had indicated to you in our guidance that the performance in second half of the year will be higher than that of the first half. We had given a sales guidance of 16% to 17% versus which we have 16% for this quarter. We had said that we will do 14% to 16% growth in the Healthcare Solutions and we have registered a growth of 25.6%. In the Pharma Solutions space we said that we will have sales of Rs. 10.0 billion for the year and against that we have done Rs. 1.9 billion for the first quarter and in the GCC business we had said that we will have sales of Rs. 4.5 billion for the year and we have done 728.8 million. Operating margins were forecasted by us to be between 21% and 22% and they are 19.5%. Without considering Minrad the EBITDA margins would have been 20.3%. We had said that the full year EPS will be around Rs. 23.5 to Rs. 24.0 and we had 4.1. We feel that there will be better performance in custom manufacturing business in the second half and so we continue to reiterate our guidance.

We are now ready to take your questions.

**Moderator:** Thank you sir. Ladies and Gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press “\*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue, you may press “\*” and “2”. Participants are requested to use handsets while asking a question. Participants are also requested to limit their questions to two per participant in the initial round. The first question is from the line of Nitin Agarwal from IDFC SSKI Securities, please go ahead.

**Nitin Agarwal:** I have just a couple of quick questions. One is on the margins, excluding the Forex taking, the gains and losses out, margins have come off 80 bps YoY despite the fact that domestic formulation business is a much larger component of business in the current quarter as compared to last year. Intuitively margin should have been on the higher side in the current quarter.

**Rajesh Laddha:** There are a couple of reasons for that; one is our material cost is slightly up largely because of two reasons; one is, the Minrad material cost is much higher as compared to our average material cost for the company, so that has impacted the gross margin. Secondly, during the first quarter last year we had a lower rupee-dollar, which was about Rs. 42-43 and now all our imports, which are denominated in dollars are currently coming at Rs. 47-48, so due to that our gross margins are lower in this quarter. Also our sales and marketing expenditure is up as we have said particularly in the domestic formulations business and the third reason I could attribute is other expenses, which have come from Minrad. Minrad is just breaking even and not giving any sort of margins. So these are the two or three main reasons why margins are kind of flat if you were to exclude the foreign exchange loss.

**Nitin Agarwal:** Just to build on that, the benefit of Huddersfield closure has it started getting reflected in the profits yet?

**Rajesh Laddha:** Partly yes, but I think from quarter two onwards the entire benefit will start flowing in when the whole closure of the site will happen and all the cost will go away.

**Nitin Agarwal:** So the site is still not completely closed yet in terms of.....

**Rajesh Laddha:** The physical closure is still happening. We have taken a decision during March, but you know some of the people are still there to actually shut the site, because there are some regulatory issues etc., to actually have the closure of the site.

**Nitin Agarwal:** Lastly, what is the net cash, which is there in the balance sheet as of June 30, 2009?

**Rajesh Laddha:** Cash in hand?

- Nitin Agarwal:** Yeah
- Rajesh Laddha:** we have about Rs. 60-65 Crores at a consolidated level.
- Nitin Agarwal:** Okay, thank you very much.
- Moderator:** Thank you Mr. Agarwal. The next question is from the line of Akshat Vyas from Emkay Global, please go ahead.
- Manoj Garg:** Good evening, this is Manoj. Your R&D expenses for the quarter has come down both YoY as well as QoQ, so do we consider this as a run rate going forward?
- Rajesh Laddha:** No, this reduction is basically coming from... we had some R&D expenditure at Huddersfield, that reduction is partly due to that and partly because of I think the phasing issue. There is not going to be any significant reduction in R&D.
- Manoj Garg:** So, probably this could be taken as run rate going forward?
- Rajesh Laddha:** It might increase according to me a little bit.
- Manoj Garg:** Okay. Second thing like, you know, in the last Q4 concall, you had indicated probably we will repay some of our debts this year. How do we see going forward like?
- Rajesh Laddha:** The aberration has come because of the dividend payment. So next three quarters we will continue repaying the debt from our internal accruals.
- Manoj Garg:** Okay. The last question is what are the total outstanding forward contacts as on date?
- Rajesh Laddha:** Nothing, zero.
- Manoj Garg:** Okay, thank you. That is all from my side.
- Moderator:** Thank you Mr. Manoj. The next question is from the line of Prashant Nair from Citi Group, please go ahead.
- Prashant Nair:** My question is related to the topline. Domestic formulation sales in the first quarter has grown much faster than what you had guided at. Now do we expect this to slow down considerably over the next three quarters or are we just waiting to see the trend before taking a relook at what your full year target is?

- Ajay Piramal:** It is difficult to forecast, we do not expect any unusual reason to tank down in the next three quarters, but, you know, we are already talking of a large growth; last year 25% so on that to build another 25% would be very challenging that is how we look at it.
- Prashant Nair:** Okay, so if this trend were to continue, is it a fair thing to assume that your full year revenue guidance shift upwards assuming CMG...
- Ajay Piramal:** We do not want to revise the guidance; it is too early in the year.
- Prashant Nair:** Okay fine. My question was, are you still comfortable with CMG sales guidance as you were last year?
- Ajay Piramal:** See, overall for the company I think we will maintain our 16% growth rate. If the CMG's sales maybe a couple of percent here and there then I think domestic will make up for that.
- Prashant Nair:** Okay, fair enough. Thanks.
- Moderator:** Thank you Mr. Nair. The next question is from the line of Ranjit Kapadia from HDFC, please go ahead.
- Ranjit Kapadia:** Sir, my question relates to interest cost, which has gone up by about 112% from 120 to 254 million and second question is relating to custom manufacturing. If you can give outlook for the rest of the year as it has already de-grown by 17% and going further how do you see the business?
- Ajay Piramal:** Custom Manufacturing business if you recollect, even at the time of guidance we said it will be flat on the topline. We think it will remain in that area, it will be flat. The reason why there is a de-growth in the first quarter compared to last year is that the inventory whatever the adjustment that our customers are making for inventory and the whole economic slowdown really happened in the second half of the year and not in the first quarter. Secondly, also that Huddersfield, which was contributing last year in this quarter in terms of topline, is not there. So, overall we expect that should be flat. As far as interest cost is concerned, last year we did the acquisition of Minrad, which was only done as you recollect sometime in March of 2009 and we also did a few other acquisitions, we acquired the Haemaccel global brand. We also acquired some of the Khandelwal brands. So the whole interest cost has come in this quarter.
- Ranjit Kapadia:** Okay. Thank you very much and all the best.

**Moderator:** Thank you Mr. Kapadia. The next question is from the line of Nimesh Desai from Motilal Oswal Securities, please go ahead.

**Nimesh Desai:** Just an extension of what has already been asked before, just probing it a little bit deeper. This closure of Huddersfield facility, you said the full benefits is likely to accrue over the coming quarters, does that mean that we should budget for lower staff costs as compared to Q1, what you reported in Q1?

**Rajesh Laddha:** See what will happen is Huddersfield staff cost partly has already captured the reduction, partly it will get captured in Q2 onwards, but then we will have the increments impact for this year, so I do not expect a significant reduction in staff cost from this quarter levels.

**Ajay Piramal:** Also Minrad has been added, so as a percentage it will go down, in absolute numbers but the staff cost may not go down.

**Nimesh Desai:** Second question was, I mean, if you look at your annual guidance on the GCC business and what has been done in first quarter, I know that you reiterated the guidance, but wanted to understand it a little bit in detail as to what is giving you the confidence that over the next three quarters you will make up for the shortfall which has happened in first quarter.

**N. Santhanam:** Nimesh, main reason for this 4.5 billion of GCC which we are talking about is around 3 billion is coming from Minrad and that is newly acquired and this is just the first quarter and as it has been said earlier, whole of last year, Minrad in the last full financial year of calendar year base, they achieved USD 23 millions and what has been achieved in the first quarter is around USD 10 million, so the ramp up is happening, whatever are the issues on production, in terms of yield, in terms of other manufacturing issues are being slowly, so in this quarter, you are seeing the lowest production and we feel that in the remaining three quarters the production will reach the peak and that is the time when the sales will pick up. We feel that this 4.5 billions will be achieved as of now.

**Nimesh Desai:** And the last question was if you look at your domestic formulation business growth, I mean, it has been growing very strongly not in this quarter, but I mean throughout the year last year and one thing that we have seen is the respiratory portfolio has grown pretty strongly which I am assuming that Phensedyl would have grown strongly there. Is that a correct assumption?

**Ajay Piramal:** Yes, that is correct.

**Nimesh Desai:** Then the related question to that is that in the past we have seen that whenever Phensedyl has grown very strongly with a time lag, I mean once in a while, there is a correction coming in

because of the abuse related to Phensedyl, so what checks do we have in place to ensure that such a thing is not repeated for this kind of a strong growth?

**Ajay Piramal:** What we have done now is, really first of all, seen to it that Phensedyl is not sold to just any dealer. There are specified dealers who get it. We ensure that they give you a cheque in advance. It is not done anywhere else and we monitor the movements of the goods also, where it goes, In addition also the reason why it is growing is because we are doing a lot actually promoting of the product in the field, so we are putting a lot of people behind it. At one stage, early on, people used to be hesitant even to promote it, but now because it has been cleared for so long, people have that confidence.

**Nimesh Desai:** Okay, thanks a lot.

**Moderator:** Thank you Mr. Desai. The next question is from the line of Balaji Prasad from Goldman Sachs, please go ahead.

**Balaji Prasad:** Hi, most of my questions have been answered. I would appreciate it if you could just give brief update on where the Desflurane Para IV challenge is now?

**N. Santhanam:** In fact I will not be able to share much on the Para IV challenges because that is the directive which we got from our attorneys who is fighting this case but there are significant improvements compared to the last call, so beyond this I am afraid I will not be able to share anything.

**Balaji Prasad:** Significant improvements are there?

**N. Santhanam:** Significant improvements in terms of establishing our case, it is not infringing.

**Balaji Prasad:** Okay. Thank you.

**N. Santhanam:** Since we are under litigation, I am sorry, I will not be able to.

**Balaji Prasad:** Okay sir, thank you very much.

**Moderator:** Thank you Mr. Prasad. The next question is from the line of Nimish Mehta from MP Advisors, please go ahead.

**Nimish Mehta:** Lot of my questions are already answered. I just wanted a quick update. You mentioned Minrad has achieved breakeven this quarter, so can you just share as to what is the EBITDA margin as of now for Minrad or is it an EBITDA level that you have achieved breakeven.

- Rajesh Laddha:** Breakeven at EBITDA level.
- Nimish Mehta:** Ok, And any reason why we see the anti-infective portfolio of domestic formulation growing robustly at 50% or so?
- Sudarshan Jain:** Basically, we have increased the number of field force compared to last year. We have got 800 additional people and we have introduced a number of new products there in that segment and that is contributing to the growth of anti-infective business.
- Ajay Piramal:** In addition, you know we been saying that we have also gone to tier 2 cities and the semi urban, so anti-infectives are the first ones which take off.
- Nimish Mehta:** Okay, thank you very much.
- Moderator:** Thank you Mr. Mehta. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Please go ahead.
- Anubhav Aggarwal:** Just taking the question further, it will help us if you can just break down this domestic formulation growth in to volume price and what is coming for the new products, a rough number will do.
- Sudarshan Jain:** If you look at the 8% growth it is coming from the new products, new products have played a very important role to get the growth of the business and the good point is that also we are getting the volume growth because compared to the last year, top 10 brands were contributing only 24% of the business, today they are contributing 26.6% of the business. So, it is a combination of new products, it is a combination of volume growth in the first quarter of the year.
- Anubhav Aggarwal:** We can assume that other than 8% most of it is volume growth.
- Sudarshan Jain:** Volume and price; together.
- Anubhav Aggarwal:** Sir second question is on the interest cost. If I just compare the effective interest cost from last quarter, Q4 FY09 versus the Q1 FY09, I see that on the debt level, their effective interest cost was 8.6% in Q4 FY '09, which has dropped now to 7.3%, because even if you look at the absolute level of interest cost which is reported sequentially, it has come down whereas debt has gone up.
- Ajay Piramal :** Yes. Interest costs are coming down. We expect that. The rate of interest is coming down.

- Anubhav Aggarwal:** So, is that long-term loans being re-paid with short-term loans, is that something like that?
- Ajay Piramal:** No generally overall the cost of borrowings are coming down and we expect that it will remain in this region now.
- Anubhav Aggarwal:** Last question, what will be the effective tax rate we take for this financial year after all the adjustment done for the budget announcement.
- Rajesh Laddha:** We said it will be in the range of about 13%, quarter has been about 11.7%, for the year we have said 13%.
- Anubhav Aggarwal:** Okay, thank you I am done with my question.
- Moderator:** Thank you Mr. Agarwal. The next question is from the line of Girish Bakhru from JM Financial, please go ahead.
- Jesal Shah:** Hi this is Jesal. Just a couple of questions. One is on your domestic business. I just wanted to understand for example Phensedyl is quite an old product and you know fairly matured brand it is, so if you could just explain from where this growth is coming, I understand you said something about promotional activity, but is it coming from expansion of the geographic region here or is it coming from the metros itself?
- Sudarshan Jain:** It is coming from across the markets because previously we were not promoting the product as Chairman was saying to the doctors, so we have started the product promotion, there is a better availability of the formulation than what it was, so that is also contributing to the growth of the business, so it is a combination of availability as well as promotion in the doctor's chamber and it is across town categories which is generating the growth.
- Sagar Gokani:** This is not just particular to Phensedyl brand. You look at our whole portfolio, be it respiratory segment, or the anti-infective segment or even gastrointestinal for that matter and you just do not look at this quarter, even if you look at for the full year, last year, I think we have grown, at good rates, so it is not something a product specific thing.
- Jesal shah:** And the other thing is I think, there was a question on the price driven growth and you explained that 8% of the growth was coming on account of new products, but how much was mentioned as the price growth?
- Sudarshan Jain:** It is difficult to give separately the price and volume. The balance will be volume and price together, but volume is playing a very important role as far as the total growth and carrying

on from what Sagar was saying if you see all the segments whether it is anti-diabetic or CNS or cardiovascular, all are showing healthy growth, anti-diabetic is around 24% growth, so it is across segments that growth is coming which is combination of both volume and new product introduction because that is the basic driver of what we are getting.

**Jesal Shah:** Can you also just help us understand in terms of your plans on field force expansion, are you envisaging any further addition to field force.

**Sudarshan Jain:** At this moment, we will like to get more productivity from whatever we have added and that is primarily, emphasis has been on productivity, so during this year it is primarily emphasized on productivity and building brands and that is evident if you see the first quarter performance both in the top 10 brands contribution as well as volume growth.

**Sagar Gokani:** We added about 800 people in FY 2008. The way we do field force expansion is we do a periodic assessment of the market, and if we think that the market has potential, then we expand, before 2008, the expansion we did was in 2004, so also the field force has to reach the optimum productivity level before we venture into a new expansion.

**Jesal Shah:** The last question was on the pharma solutions business. If you can share your thoughts in terms of you know, where do you see this business between two or three years time in terms of the contracting activity, which might be currently ongoing and also phase 3, you had talked about certain products and just wondering if you are seeing any progress in those products in terms of ramp ups in those molecules.

**Ajay Piramal:** Overall in the next two or three years, I think that there is an increasing tendency for companies to outsource. All the pressure that you see in terms of cost in the global market are having the impact on pharmaceutical companies and so I think in two to three years, it should be positive and more and more outsourcing will take place. These two molecules, which are in phase 3, are still there and there is no change in them.

**Jesal Shah:** Okay. Thank you so much.

**Moderator:** The next question is a follow up question from the line of Nitin Agarwal from SSKI Securities. Please go ahead.

**Nitin Agarwal:** Thank you for taking the question. What are the Capex plans we have for 180 Crores for the year, where is the Capex directed to, which businesses?

- Ajay Piramal:** Most of the Capex really is towards Minrad. The Minrad system, the way you sell inhalation anesthetic gases in the US is by supplying to the large hospital organizations, where you supply a vaporizer, which uses to fill in the gap, so the vaporizer is the Capex and then you get a captive buyer. It is almost like when you buy a Gillette razor, and then you become the captive buyer of its blade, so we provide the razor at a fairly discounted or near zero price and then you put the blade in, that is how we supply the gas.
- Nitin Agarwal:** And this Rs. 32 Crores that we spent in the current quarter, did it include any element of any acquisition cost and all for the current quarter.
- Rajesh Laddha:** No.
- Nitin Agarwal:** Mr. Piramal, on the larger level, we have seen a two or three management top level changes in the CRAMS business for the last three or four years, I mean how do you put this in the entire overall context in terms of the way the business is going to really go from here and the amount of changes that have really happened over the last few years.
- Ajay Piramal:** It has been unfortunate, we have had changes, but I think now we will have stability in this business, down the level there have not been changes, yet at the top level we have had two changes in the last three years and I think this time we should not have that and anyway there is a continuity, at least the rest of the team is the same and across the board. We are also now increasing directly the involvement of Mr. Santhanam in this business, so there will be continuity there.
- Nitin Agarwal:** Okay. Thanks.
- Moderator:** The next followup question is from the line of Rahul Baijal from Voyager Capital. Please go ahead.
- Rahul Baijal:** Just a couple of questions. Firstly, after the Q1 performance in terms of Minrad, you had given some sales target, I think, a couple of months back, so just a comment on are we on track to achieve the sales target and whether it is still going to be EPS accretive for FY '10.
- Ajay Piramal:** You know we had given a sales target of \$55 to 60 million for the year and in the first quarter we have done nearly USD 10 million, so we are fairly confident that we should achieve the sales. Really you see that there is a good demand for these products. On the production side that we need to do and we are seeing that there is ramp up of production taking place, so both in terms of top line as well as in EPS accretive, we still stand by that.

- Rahul Bajjal:** Secondly, in terms of improvement in profitability of the CRAMS business, we had said that we are expecting a margin expansion guidance of around 600 to 800 business points in FY 2010, so are we on track on that as well?
- Ajay Piramal:** By and large we are on track on that. I think the main reason as we have said was really because of the improvement in margins because of the Huddersfield closure and I think we are on track on that.
- Rahul Bajjal:** And lastly in terms of the Pfizer contract, there was some renegotiations happening and around 25% of the contract was done till about three months back, so can you give some update on that front? What has been the progress in the last three months?
- Ajay Piramal:** It is really in the right direction. It is not if you ask me is it finally signed – its not, whatever we have seen in terms of the discussions, we have had it is on track to it.
- Moderator:** Okay. Thank you very much.
- Moderator:** Thank you very much. The next question is from the line of Amit Hiremath of Enam Asset Management. Please go ahead.
- Amit Hiremath:** Most of my questions have been answered. Just one question regarding Pathlabs. We have got a very good growth rate in last year, which grew by 42% in this segment. Even in the last quarter by 29%, so what has been the reason that this growth looks bit subdued in this quarter at 20%?
- Ajay Piramal:** Little bit of the growth last year was also because of inorganic out of acquisition. In this quarter we have not done any acquisition and this is all in terms of whatever the organic growth is.
- Amit Hiremath:** Sir, going forward, can we consider this particular growth rate to be stable for Pathlabs business.
- Ajay Piramal:** Yes.
- Amit Hiremath:** Thank you.
- Moderator:** The next followup question is from the line of Nitin Agarwal from SSKI Securities. Please go ahead.
- Nitin Agarwal:** Sir, just one thing on the CRAMS business with the restructuring that has happened globally in terms of all this consolidations happening in the big pharma level, have you seen any

distinct changes in the way in the behavior in terms of the way companies are approaching selecting vendors. Is there a trend towards consolidation looking to interact with few vendors in India and China or is there any distinct trend that you are seeing which will play out to advantage as we really go forward?

**Ajay Piramal:**

As of now, you know the integration is also being talked about. It has not actually happened in these major pharma, but the trend is towards consolidation, you are right. They want to make a fewer suppliers more important, but it is still early days, they are only talking about. It is still on paper, the integration; you know they have not even got all the necessary regulatory approvals for doing this, so for instance today, if you talk to Merck and Schering, they do not publicly say that they will be merged because they are awaiting shareholder approvals in both the cases.

**Nitin Agarwal:**

Okay fine. Thank you.

**Moderator:**

Thank you Mr. Agarwal. As there are no further questions, I would like to hand the floor back to Sagar Gokani for closing comments.

**Sagar Gokani:**

Thank you everyone for your time. If there are any questions that remain unanswered please feel free to reach us anytime. Thank you.

**Moderator:**

Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Piramal Healthcare Limited, that concludes this conference call. Thank you for joining us and you may now disconnect you lines.