



# “Piramal Healthcare Limited Q1 FY2011 Results Conference Call”

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**Moderator:** Ladies and gentlemen good evening and welcome to the Piramal Healthcare Limited Q1 FY11 Results Conference Call. As a reminder, for the duration of this conference, all participants' 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 any assistance during the conference, please signal an operator by pressing "\*" 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 from Investor Relations Team of Piramal Healthcare. Thank you and over to you sir.

**Sagar Gokani:** Good evening to all of you. Welcome to Piramal Healthcare Limited's First Quarter Results Conference Call. Joining me on the call are Mr. Ajay Piramal, Chairman, Ms. Nandini Piramal, Executive Director, Mr. Murari Rajan, Executive Director - Piramal Enterprises, and Mr. Rajesh Laddha, Chief Financial Officer.

We hope you have received the press release, results in the stock exchange format and analyst presentation that we have sent out earlier. 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 discussions today may include some forward looking statements and this must be viewed in conjunction with the risks that our businesses face. The duration of this call is an 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](mailto:investor.relations@piramal.com). Chairman will now talk about the broad development and outlook of our businesses and then Rajesh will take through some slides on the financials. I would now like to hand over to Chairman.

**Ajay Piramal:** Good evening.

- At the outset, let me highlight that this has been an abnormal quarter where we were in a transition phase. As you would recollect, in May 2010, we announced the sale of our healthcare solutions division to Abbott. This quarter was characterized by high level of uncertainty and distraction. Subsequent to the announcement, we have been involved in a smooth transition of the business to Abbott. As a result of this performance for our business was impacted.
- Let me assure you that there are no systemic issues in any of our businesses. We will continue to focus on our remaining businesses and in growing them.
- Keeping in mind, I would now take you through the highlights of the businesses. The domestic formulations business after having consistently outgrown the market for the last 10 quarters has shown a growth of 4.9% in this quarter, mainly because of the transition that I talked to you earlier.
- The company's pharma solutions that's the custom manufacturing business was lower at Rs. 1.7 billion in this quarter as compared to Rs. 2.1 billion in the same quarter last year. Pharma solutions revenues from facilities in India were lower by 18.3% at 660.0 million. Our custom manufacturing business from facilities outside India was impacted due to an adverse foreign currency movement of the pound versus the Indian rupee. The rupee is 70

rupees per pound for this quarter as compared to Rs. 80 per pound in the last quarter. This has resulted in a decline of 13% for the revenues from our overseas facilities. The off-take from our Indian facilities has been lower and this has resulted in lower sales. However, we have clear visibility in terms of the orders in hand and we are confident that sales will revive in the latter part of the year and we will end revenue in this year similar to those that were in the last year.

- The global critical care business grew by 48.5% to Rs. 1.1 billion as compared to Rs. 728.8 millions in the same quarter last year. The Minrad business has picked up substantially. We recorded sales of USD 19.7 million at Minrad in this quarter, this is because of the higher Sevoflurane sales in the US as we have invested in placing vaporizers to the hospitals. We have filed for registrations across 27 countries in Europe. We expect to continue with similar quarterly sales for the rest of year in this business. Our production volumes have ramped up and in fact last month at 24 tons we had the highest production ever in the history, compare this with the 6 tons per month which we had when we acquired this business only in last year.
- This summarizes the business performance. As you know, we have signed two deals, one with Abbott and other for diagnostic services business with SRL and both of these remain on track for completion by the end of this quarter. At the time of closing of these transactions, we will make the suitable filings with the stock exchanges.
- We are in the process of evaluating various options to deploy the proceeds as we have always mentioned earlier a part of the proceeds will be used to pay taxes, repay debt, and reward shareholders appropriately. Out of the remaining proceeds we will invest in growing our existing businesses both organically and inorganically and potentially enter into other sectors.

I would now hand it over to Mr. Rajesh Laddha, our CFO.

**Rajesh Laddha:**

Good evening to all of you. I am going to take you through the Quarter 1 financial results for Piramal Healthcare Ltd. The financial highlights are based on consolidated financial results of Piramal Healthcare Ltd. The consolidated numbers apart from including the operations of Piramal Healthcare Ltd. the parent company, also contain the results of its subsidiary and joint venture companies namely Torcan Chemical, Piramal Healthcare UK Ltd., Allergan Joint Venture, Arkray-Piramal Joint Venture, Piramal Healthcare Inc. (the Erstwhile Minrad), and Piramal Diagnostic Business.

With this background, let me now take you through the numbers for the quarter.

- The operating income, the total operating income for Q1 FY11 has grown by 2.5% to Rs.8.4 billion from Rs. 8.2 billion in the first Quarter of previous year.
- The operating profit before interest depreciation and tax for the quarter amounted to Rs. 1.4 billion compared to Rs. 1.6 billion during the same quarter last year. Similarly, operating margin was lower at 16.4% in Q1 FY11 as compared to 19.5% in Q1 FY10. The operating profit margin was lower due to higher material cost and higher staff cost.
- The tax rate inclusive of deferred taxes for the quarter was 3.2% of profit before tax.

- Net profit for the quarter marginally lower by 5.1% to Rs. 807.4 million and similarly earnings per share for the quarter was lower by 5.2% to Rs. 3.9 as compared to 4.1 for Quarter 1 of FY10.
- Coming to the ratio slide, the material cost as a percentage of sales is up from 37.9% to 38.9% due to change in business and product mix.
- Staff cost as a percent of sale has gone up to 18.7% in this quarter as compared to 16.6% in Quarter 1 FY10 due to the payment of performance pay and increments in this quarter. During the last year this impact was given in Quarter 2 till last year and this by the end of H1 FY11, this impact is going to get nullified.

I will now take you through some balance sheet highlights.

- The total debt as of 30th June, 2010, was Rs. 13.2 billion with a debt equity ratio of 0.8:1.
- On the working capital front, the number of inventory days has gone up from 46 days to 55 days mainly due to slower growth in healthcare solution business and lower off-take in the pharma solution business.

We are now ready to take your questions.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may kindly press “\*” followed by 1 on their touchtone phones. If your questions have been answered please press “\*” followed by 2 to withdraw from the question queue. Participants are requested to use handsets while asking a question. To ask a question, kindly press \* and 1 and this time. The first question is from the line of Mr. Nimish Mehta from MP Advisors. Please go ahead.

**Nimish Mehta:** Yeah, hi, thanks for taking my question. I just have one question. I just wanted the numbers or breakup as related to the OTC sales of the domestic formulation business?

**Rajesh Laddha:** It's been about 22 crores for the quarter.

**Nimish Mehta:** And if you also can tell me the growth, I mean the percentage change YoY?

**Rajesh Laddha:** Last year, it was 26 crores.

**Nimish Mehta:** I see, okay, so there has been a decline even there as well, okay.

**Rajesh Laddha:** Yeah this was largely treated as part of the domestic formulation business and there has been some uncertainty there as well, which we think that we will be able to correct during quarter two.

**Nimish Mehta:** Yeah but this 22 crores will also include the i-Pill that you have acquired which is not there in the last year, so the underlying decline has been much larger, right?

**Ajay Piramal:** Yeah so really you have to look at this 1<sup>st</sup> Quarter as an abnormal quarter. We are confident especially in this OTC space that we will be able to make up this in the 2<sup>nd</sup> Quarter onwards. So the 1<sup>st</sup> Quarter because of separation from the existing domestic formulation business and the whole uncertainty in transition, it has affected that sales.

**Nimish Mehta:** Okay thank you very much.

**Moderator** Thank you Mr. Mehta. The next question is from the line of Sumit Arora from Sun Global. Please go ahead.

**Sumit Arora:** Hi sir, very, very good evening. I have got two questions Mr. Piramal for you, one sir is that the market is definitely expecting some kind of a dividend which is basically going to reward shareholders, so when can we hear something on that front? And second sir, I also wanted to understand what's the ballpark for Piramal Healthcare going ahead, what's the vision for this company from here on, because you have done a phenomenal job over the last 10 years and taken Piramal from strength to strength, so I want to now understand is what's the game looking from here on going ahead sir?

**Ajay Piramal:** So first of all, we expect as I said that the proceeds of the transaction will come in sometime by the end of September. After that the board would meet I think soon thereafter and we will take a call as to how do we reward the shareholders and we will look at various options, but we are just waiting for money to come in and then we would try and come up with a conclusion where we will reward shareholders in some manner. Secondly, what is the vision, so fortunately for us we are in these three businesses today, in the existing business, whether it's in the custom manufacturing or pharma solutions business or in the critical business and in the OTC business, all these places we think have quite a good potential, the pharma solutions business and the critical care in the global market and the OTC in the domestic market. Our vision is to again build these businesses just as we have done the healthcare solutions business and we will build it both organically by investing in the existing business as well as inorganically looking at good bolt-on acquisitions for each of these businesses, so that is one, where we will get into clear leadership in these individual businesses. But this will not absorb all the funds that we will have at our disposal and therefore we are looking at certain other newer areas to invest in, but that is a process that will take sometime because we want to make a thorough analysis and then put our money in it. So that is where we are as far as the future is concerned. But please understand just as the domestic branded formulations business, we had really nothing when we started the business in 1988 and then could grow it to large 2000 crores business. Similarly, we will look at each of these existing businesses that we are in to grow them and also a new area of business.

**Sumit Arora:** Okay I have just got one more follow-up question on this, I have been hearing that, I mean there are unconfirmed reports, I would just put it that way, unconfirmed reports saying that you planned to look at the insurance sector and also my second thing I wanted to check with you is that there were also unconfirmed reports saying that Piramal Life Sciences might be merged into Piramal Healthcare, now is there something on this front sir?

- Ajay Piramal:** So let me clarify on the insurance sector and on any other sector that you heard of. We are today like a funnel, we are looking at almost every opportunity, you can well imagine that everyday there are some people who come and give us ideas and suggestions. We listen to them and then we will evaluate them and at the right time we will definitely communicate. So are we going into insurance? I can not say yes, today, neither do I say no, but I mean, so we are just evaluating insurance as one of the several 10 or 15 or 20 sectors that we are looking at frankly. So today it is not on the horizon. What will we do with Piramal Life Sciences, I think we will take a call again the boards of both the companies will meet to decide what to do, because Piramal Life Sciences is in a very interesting state in that sense that several of the molecules are in late stages of the clinic. We need to now decide, both the boards need to decide what we should do with this in the future.
- Sumit Arora:** Okay sir, thank you very much.
- Moderator:** Thank you Mr. Arora. The next question is from the line of Ranjit Kapadia from HDFC Securities. Please go ahead.
- Ranjit Kapadia:** Good afternoon, my question relates to the potential entry into other sectors. Sir you have mentioned that you are looking at 15-20 sectors, if you can highlight some of the sectors for the interest of investors?
- Ajay Piramal:** Ranjit, really today that's why if I highlight any sector, it would give you a wrong impression. I would just say 15-20 would be some of the suggestions that are coming in, we are not looking at all of them seriously. But we have a pretty open mind today, but we will come in some time at the right conclusion, let me say that, that's all that I can share with you today. You need to have confidence that whatever we will do, we will at least to the best of our ability to see that it is creating value for shareholders in the long term.
- Ranjit Kapadia:** And sir, regarding the CRAMS business, if you can give some update how the performance going to be in near future and when is the revival expected?
- Ajay Piramal:** So in terms of the CRAMS business, I think you will see that in this year, we are seeing the visibility of orders now coming in. It was difficult time for two years, but now we have seen strong visibility of orders. It does take time as you are well aware, so I think in this year, we will be at the same position on top-line as the previous year. I think our profitability will be a bit better this year in CRAMS compared to the last year. And we will then show growth of about 15%-20% organically in this space. In the space, we will also look at suitable acquisition which we will identify at the right time and if it creates value we will do that.
- Ranjit Kapadia:** Okay. Thank you very much and wish you all the very best.
- Moderator:** Thank you Mr. Kapadia. The next question is from the line of Nimish Desai from Motilal Oswal. Please go ahead.

**Nimish Desai:** Yeah good evening everybody. There is couple of questions. Any key reason that can be attributed to the decline in pharma solution business from India, I understand there is a currency impact for the assets outside India, but why would Indian asset or Indian revenues would have degrown?

**Ajay Piramal:** So the only reason for that is that last year in this quarter, we had a lumpy revenue, one big order we had to supply to one large client and that has ended, is not there in this quarter, but same order is there actually in the third and fourth quarters of this year, so that's why I am saying that we will have a even sales this year.

**Nimish Desai:** Okay fine. And when you say that you would be recording similar revenues in pharma solution business for FY11 as in FY10, could you give some more color on the breakup as to Indian assets would grow and international revenues would be on a decline or we should assume that both would be at similar levels as compared to last year, how should we view this breakup?

**Ajay Piramal:** This year they will be at similar levels than last year in both. So actually if you look at it our Morpeth business is very steady business and so we will see similar revenues.

**Nimish Desai:** Okay. And you also spoke about evaluating inorganic opportunities for existing business and I would assume that pharma solutions would be one of them. If that is correct then can you throw some more color on what kind of capabilities or capacities would you want to acquire in this space, I mean anything specific you would have in mind?

**Ajay Piramal:** So I am not going to be very specific for obvious reasons, because of competition and also then you know the targets get identified in public, but let me tell you how the way we look at it in the principles, one is that we look at certain capabilities may be missing with us or there may be certain technologies which can be added on which we do not have today that is one space that we look at. Secondly, sometimes you may get access to big customers because of certain acquisitions, we look at that. Thirdly, there could be assets which are available in some geography which we feel that we can get assets and technology and we can easily shift that production to one of our existing facilities. So one of these could be the broad areas because of which we will look at an acquisition. And the good news if I may say is that assets today particularly in the west are valued at quite low multiples, therefore there is an opportunity, but if it creates long term value, we will do it.

**Nimish Desai:** Okay. And could you also give us some flavor on how Minrad profitability would have improved, because we can see that clearly there is improvement at production levels and revenues?

**Ajay Piramal:** So we are somewhere in the mid teens in terms of operating profit today, but we will go towards high teens by the end of the year.

**Nimish Desai:** Okay fine, thanks a lot, thank you.

- Moderator:** Thank you Mr. Desai. The next question is from the line of Ranvir Singh from Brics Securities. Please go ahead.
- Ranvir Singh:** Yeah hi, most of my questions are answered, only one thing that is relating to pharma solutions business. I believe API-CMO is also included in this, so is it possible for you to give just a breakup of API business and other business in that CMO?
- Ajay Piramal:** No, we won't be able to give you that breakup.
- Ranvir Singh:** Okay. And for global critical care business, is there any new product has been launched or added to your anesthesia portfolio?
- Ajay Piramal:** We have added just Propofol which was a small contribution. As you perhaps may recall, we had acquired this Propofol in the beginning of this year, so we have added that, that's a small contribution now, it's not started flowing in into the...
- Ranvir Singh:** Okay sir in US, there is no addition of products...
- Ajay Piramal:** As you may perhaps recall that Desflurane is a product that we will launch, there is some litigation going on, once that is cleared, probably next year is the earliest that we could launch that.
- Ranvir Singh:** Okay thanks a lot sir.
- Moderator:** Thank you Mr. Singh. The next question is from the line of Chirag Dagli from Pinc Research. Please go ahead.
- Chirag Dagli:** Yeah Good evening sir. Quick question on, sometime there were reports on one-time payments to staff, if you can quantify what that amount will be?
- Ajay Piramal:** So we have given, it will be approximately in the range of about 90 crores.
- Chirag Dagli:** Okay. And has any impact of that come in this quarter or yet to be taken?
- Ajay Piramal:** No, that will be on receipt of payments. The impact on staff, let me clarify, I think Rajesh spoke about it that normally we give increments and performance pay which come in into the 2<sup>nd</sup> Quarter of every year, but this year because of this closing of the transaction we have done all these payments in the 1<sup>st</sup> Quarter of the year and therefore to that extent the staff costs are higher in the results that we presented now compared to what they would have normally been in all the previous years.
- Chirag Dagli:** Sure, and if you can share some color on the profitability of the remaining business, when I say remaining, sans the domestic and pathlabs businesses how profitability has been if you can share some numbers?

**Ajay Piramal:** Well you know I think best is that once the money comes in, we will share with you what our view of each of these businesses, so I would ask you to bear with us till the end of 2<sup>nd</sup> Quarter.

**Chirag Dagli:** Okay. Asking on acquisitions, within the OTC space, I am sure you must have done work, are there assets available within the OTC space to consume the kind of capital that we have, obviously these acquisitions will have to be very large?

**Ajay Piramal:** So let me answer you in two parts, are there assets available, yes they are available, they are difficult to get and they are not that many, but some are available. Will it consume all of the cash that is coming in? Our acquisitions in all the existing businesses will not be able to consume all our cash. In some ways you can consume cash, but it will not create a return, so we will not consume all of it in the existing space.

**Chirag Dagli:** Okay. And lastly on acquisitions within the CRAMS space, biotech is a piece which is completely missing out and that is obviously one large growth area for some of your competitors globally, any thoughts there, is it a complete no-no at the moment or is it that you will wait for the right assets rather than building capabilities organically?

**Ajay Piramal:** In Biologics, I guess you meant. We are still evaluating what to do. We do not have plans to build facilities today. If we get an appropriate asset, we will look at it.

**Chirag Dagli:** Okay. Thank you so much.

**Moderator:** Thank you Mr. Dagli. The next question is from the line of Ronak Omkar from Parag Parikh Financial Services. Please go ahead.

**Ronak Omkar:** Good evening, most of my questions are answered. I just want to know in the drug price control, how many of your existing products are under that?

**Ajay Piramal:** Frankly, I can answer that, but this business is going to go out to Abbott, but today about 13%-15% of our turnover is under drug price control.

**Ronak Omkar:** Okay thank you so much.

**Moderator:** Thank you Mr. Omkar. The next question is from the line of Kartik Mehta from Daiwa Capital. Please go ahead.

**Kartik Mehta:** Yeah hi, if you can share the amount of reduction in the inventory in the channel because the working capital seems to have gone down a bit and can you share volume and value growth in the domestic formulation business which we sold to Abbott?

**Ajay Piramal:** The business that we sold to Abbott, the growth is about 5%, all of that is volume growth. There is no price growth in it. I don't think I have the details of inventory and really this is the business which is going out. I think let Abbott worry about it beyond this.

- Kartik Mehta:** Okay. And if you can tell us that in terms of the tax that we would pay, do you have a view if we have to pay the overall tax for the entire money that we will receive or will it be also for the three tranches that we would receive in term of cash outflow sir, will we pay for the entire consideration of 3.7 billion now, or will it be on as and when we receive the money?
- Ajay Piramal:** No we will have to pay the tax for the entire amount now. We think that's more prudent also to do that, because as you know there is going to be a major change in the tax or the direct tax code and all that, so we will pay the full amount now.
- Kartik Mehta:** And sir will that be the same for the SRL sale also?
- Ajay Piramal:** That's right.
- Kartik Mehta:** And just one last thing from my side is what should be the average tax rate that we take for the entire year FY11 assuming that in this quarter, the tax rate was very low?
- Rajesh Laddha:** The normal tax rate for the business income will be about 8%-10% whereas this capital gains tax on the capital receipts for the both the transaction will be about 22%.
- Kartik Mehta:** Thank you.
- Moderator:** Thank you Mr. Mehta. The next question is from the line of Monica Joshi from Avendus Capital. Please go ahead.
- Monica Joshi:** Yeah hi, thank you for taking my questions. Just three quick questions, one on the CRAM side, if I remember correctly, when we spoke after the Q4 numbers, there was a guidance which was given between 10%-15% for FY11, what has really changed in the last three-four months that now, except the FOREX part of it, I mean what is really changed that we are now saying would be on an equal footing as of FY10? That's the first question. And the second side, if we actually segregate your GCC revenues into Minrad and Indian business, we are actually seeing a drop on the Indian side, so it's been kind of a trend in the last two-three quarters, can you highlight these? And on the third, just taking on the question from the last speaker, what is the value of the gross block on the Pathlabs side for us to compute the tax outgo for the SRL deal?
- Ajay Piramal:** Okay let me answer the CRAMS business and GCC business. We did expect 10% growth, but you see the pound has gone down by almost 13% and I think I am trying to be conservative now to say that we will be at the same level as last year. I see that the business build-up is fairly good now and we can see some traction. So I don't think anything has adversely changed, let's say from what we said three or four months ago, that's one. And if you want a real guidance then as I said, we will meet sometime at the end of the 2<sup>nd</sup> Quarter, we can give you a better guidance of what we will see in each of these businesses. As far as the critical care business is concerned, the major growth is in the US, markets out of US, some of the Indian assets may show a little bit of growth in this quarter, but I think that will be made up. So I don't see a great concern as far the critical care business out of India is concerned. Also in

terms of long term growth, it is going to be US business because that's where the high value Sevoflurane is. And on the tax Rajesh you can answer what is the on the SRL deals.

- Rajesh Laddha:** I think it's share sells, the value is about 60 crores.
- Monica Joshi:** Okay sir the value of the asset is 60 crores?
- Rajesh Laddha:** Yes.
- Monica Joshi:** Okay. And we should consider 21.5 as a tax rate there too?
- Rajesh Laddha:** Total tax liability would be in the range of 70 crores.
- Monica Joshi:** For Pathlabs?
- Rajesh Laddha:** Yeah for diagnostic services business.
- Monica Joshi:** Okay that's helpful thank you.
- Moderator:** Thank you Ms. Joshi. The next question is from the line of Dimple Seth from SKS Capital and Research. Please go ahead.
- Dimple Seth:** Good afternoon sir and thank you for taking my question. Sir, I would like to know that what is the total amount of debt you are planning to pay off with the proceeds?
- Ajay Piramal:** I think this we will answer at the appropriate time let it come. Our view is going to be that all the high cost debt we will pay off, if there is some low cost debt particularly in foreign currency and we feel it makes sense then we may retain that.
- Dimple Seth:** Okay sir. And sir currently you have cash as on March 2010 as 42 crores, so what is the total amount of the cash you are expecting by September?
- Ajay Piramal:** Please wait when the numbers come, we will give you all that at the end of the 2<sup>nd</sup> Quarter.
- Dimple Seth:** Okay thanks a lot sir.
- Moderator:** Thank you Ms. Seth. The next question is from the line of Manoj Garg from Emkay Global. Please go ahead.
- Manoj Garg:** Good evening to all of you and thanks for taking my question. This is pertaining to your tax liability on the Abbott deal which you have consumed. My understanding is that 21.5% on the entire \$3.7 billion which you are going receive adjusting into whatever 350 crores has been gone for non-completing and the value of assets.
- Rajesh Laddha:** Total tax liability would be in the range of 3500 crores on the entire deal.

- Manoj Garg:** And that you will pay the moment you receive the proceeds from the Abbott in the month of September, right?
- Ajay Piramal:** No, we don't pay immediately, it will be paid in whatever in whatever the installments will be.
- Rajesh Laddha:** Paid in the advance tax norms.
- Manoj Garg:** Okay fair enough, thanks, that's all from my side.
- Moderator:** Thank you Mr. Garg. The next question is from the line of Bhavin Shah from Dolat Capital. Please go ahead.
- Bhavin Shah:** Sir, my questions have been answered. I missed out with the Minrad figure for the quarter, if you could retake that?
- Ajay Piramal:** It's \$19.5 million.
- Bhavin Shah:** Okay. Thank you so much.
- Moderator:** Thank you Mr. Shah. The next question is from the line of Chirag Dagli from Pinc Research. Please go ahead.
- Chirag Dagli:** Yeah sir, have we hedged our foreign currency exposure given the kind of cash that is going to come from Abbott?
- Ajay Piramal:** Yeah we are taking appropriate measures let's say.
- Chirag Dagli:** So that you have not already taken them, so you can't share the number at which you have hedged?
- Ajay Piramal:** No, not at this moment.
- Chirag Dagli:** But at an appropriate time you will?
- Ajay Piramal:** Yes.
- Chirag Dagli:** Okay thank you so much.
- Moderator:** Thank you Mr. Dagli. The next question is from the line of Nimish Desai from Motilal Oswal. Please go ahead.
- Nimish Desai:** Yeah just one clarification regarding how we book the profits from the domestic formulation business, are we to understand that as and when the business get transferred, whatever profit is accrued till that date will reflect in Piramal Healthcare or is there a cut-off date beyond which the profits need to be transferred to Abbott irrespective of whenever the deal closes?

- Ajay Piramal:** No, they will accrue to us till the date of transfer.
- Nimish Desai:** Okay fine thank you.
- Moderator:** Thank you Mr. Desai. We have a question from the line of Manish Jain from Axis Holdings. Please go ahead.
- Manish Jain:** Yeah Ajay hi, my question is a little longer term where, what in your view is a sustainable return on capital for the anesthetics business and custom manufacturing business over the next three to five years?
- Ajay Piramal:** That's a tough one, but we would expect that it has to be around 20%.
- Manish Jain:** Thanks a ton.
- Moderator:** Thank you Mr. Jain. The next question is from the line of Kartik Mehta from Daiwa Capital. Please go ahead.
- Kartik Mehta:** Yeah hi, can you throw some light on how your staff cost will from Q3 onwards assuming that fair amount of staff from the domestic business will be with Abbott, how do we put that in...?
- Ajay Piramal:** So I would ask you to be patient till, we will come with a better understanding. We will explain to you our business once the transaction is consummated. So at the end of the 2nd Quarter when we meet for that time, we will be able to give you a much better idea.
- Kartik Mehta:** Okay.
- Moderator:** Thank you Mr. Mehta. There are no more questions at this time. I would now like to hand the conference over to Mr. Sagar Gokani for closing comments. Thank you.
- Sagar Gokani:** Thank you for attending the call. If you have any further questions, please feel free to reach me or Prasad at any time. Thank you.
- Moderator:** Thank you. On behalf of Piramal Healthcare Ltd. that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.