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"Piramal Healthcare Limited Q1 FY2012 Results Conference Call"

August 2, 2011

Moderator: Ladies and gentlemen, good day and welcome to the Piramal Healthcare Limited Q1 FY2012 Results conference call. As a reminder all participants' 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. Thank you and over to you, sir.

Sagar Gokani: Good evening to all of you. Welcome to Piramal Healthcare Limited's FY 2012 first 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, the 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 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 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 send your queries, which remain unanswered during the call to our E-mail ID investor.relations@piramal.com.

Mr. Rajesh Laddha will first talk about the financials of the quarter and then Mr. Piramal will talk about the strategy and long-term outlook going forward. I would now like to hand over to Mr. Rajesh Laddha.

Rajesh Laddha: Good evening to all of you. At the outset I would like to bring into your notice that the reported number for Q1 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 shareholding in Piramal Diagnostics in August 2010.

The numbers for Q1 does not include sales and expenses of Healthcare Solutions business and Pathlabs business. Hence, these numbers are not comparable but we have presented the numbers for the continuing businesses in the analyst presentation sent out to you.

If you go to the Slide 4 of the analyst presentation, you will see the business mix number for continuing businesses:

- Sales from Pharma Solutions business grew by 39.9% and were at Rs. 290.2 crores for the quarter and Pharma Solutions sales from India grew by 74.7% to Rs. 172.4 crores for the quarter. We have seen good growth in

Pharma Solutions business in the last three quarters now. Sales have recommenced from the contracts for which there were no off-takes for the past 12-18 months.

- Sales from Critical Care business were lower by 15.8% to Rs. 91.1 crores. The sales in the Critical Care business were lower due to:

  a) Deferment of sales in Middle-East countries like Libya, Egypt, Syria, etc., due to the unrest over there and

  b) Delay a supply of Isoflurane due to the registration of process changes in EU countries.

- OTC & Allergan sales are up by 47.8% to Rs. 55.7 crores.
- The income from Financial Services business which constitutes mainly of interest income from investment in this quarter was Rs. 71.0 crores. This income was lower than Rs. 131 crores reported in Q4 FY11 due to the payment of Rs. 2,500 crores towards buyback of shares we got completed at the end of March 2011.

If you go to Page 5,

- You will see Total Operating Income for the continuing businesses has grown by almost 34.8% in Q1 FY2012 to Rs. 512 crores.

- We also have a forex gain of Rs. 76.4 crores towards forex cover on receivable from Abbott. We will continue having these gains every quarter till the time all outstanding amounts has been received from Abbott.
- Operating profit for the quarter was higher at Rs. 154.5 crores as compared to Rs. 39.9 crores for Q1 FY11.
- Tax rate for the quarter was higher at 23%, however, after the demerger of PLSL's-NCE Research Unit into PHL' which would be completed in Q3 of FY12, the annual tax rate will come down to about 5-6% on a full year basis.
- Net profit, i.e. Profit after Tax for the quarter was higher at Rs. 89.2 crores as compared to a loss of Rs. 18.2 crores in Q1 FY11. EPS for the quarter was higher at Rs.5.3 per share as compared to a negative EPS of Rs. 0.9 per share for the same quarter last year.

If you go to the balance sheet on Page 6, we have changed the reporting format to be consistent with the new Schedule VI requirement prescribed by Ministry of Corporate Affairs; there are no other major changes in the Balance Sheet from what we have reported last as on 31st March 2011. We can discuss some of the balance sheet ratios on Page 7.

- Debt-to-equity continues to be negligible at 0.08; debt for quarter has gone up by Rs. 200 crores, as we have taken some working capital loans mainly packing credit

(mainly PCFC) and some borrowings in US which are at a very low interest rate.

- Book value per share is Rs. 707.5 and cash value per share is Rs. 587.9.
- The inventory days and receivable days look higher for the quarter as compared to the number for full year FY11; as the sales number for full year had domestic formulations and diagnostic sales for two quarters. Inventory days are also higher due to stocking of raw materials as we are seeing shortage of some raw material in Critical Care business going forward. The inventory in Pharma Solutions business is also higher in anticipation of higher sales in coming quarters.

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

Ajay Piramal Good afternoon. I thought I would just share with you the thinking of the management as to how we are going to invest the proceeds from the sale of Abbott, the proceeds that have come in. I will share with you the thinking. We have a few investment plans which we have already outlined to you and we are also looking at certain other areas. As a company, we are seeing a new evolution, which you will see strengthen our presence in the Pharma sector as well as looking at new opportunities of growth outside of Pharma.

- I thought it is very important for me to emphasize that throughout the history of our group, one of the guiding principles for us has been to see that how we can create long-term value for our shareholders. We have had a consistent record of creating value. Whether you look at a three year CAGR of shareholder returns in Piramal Healthcare, which was 27%; over a five year CAGR is 20% and in a ten year it is even higher. Since its inception the growth that we have given in terms of shareholder value creation on a CAGR basis has been 41%. If you look at the other company in our group, Piramal Glass as well, we made an issue about two years ago at Rs. 30 per share and today the stock price has increased five-fold. So the message that I would like to give to all of you is that we are focused on creating value, we have done that in the past, but we create value in the long-term.
- Another thing if you look at our track record, we have always been very conservative in diluting equity. If you take the case of Piramal Healthcare itself, in the 23 years that since we acquired this business we have diluted equity only twice and that also one of them was the rights issue and during this period, the promoters have not sold any equity.
- We have also got a track record of nurturing high quality talent; we have highly qualified and experienced

people to head the existing businesses as well as to create new businesses.

- In terms of corporate governance, which becomes a very important criteria today, we have the highest forms of standards of governance, our board is perhaps the best in the country and we have been untouched with any of the environment challenges that many other groups find.
- As we look at new opportunities, the same guiding principles will also hold us into.

Today are uncertain times as far as the economy is concerned, but we have a strong balance sheet and we have cash in the balance sheet and therefore we have in some ways a much better ability to capitalize on unique opportunities that are coming our way. I will go into some more details about what we have decided and will over a period of time share with you what other sectors we are looking at.

Now, let me come to the specific businesses. So please turn to Page 12, I just want to give you a sense of where the Pharma solutions or CRAMS business is growing up.

- Our vision is to become one of the top three CMOs companies globally. You would have probably read a recent report of the UN which said that we are amongst the top ten companies today.

- We expect the sales in this business to grow between 18% to 20% organically for the next five years and in addition to that, we would do some acquisition, and therefore, the CAGR of this business should be about 37%.
- We have estimated that we will invest about 2,700 crores in this business.
- How will we grow this? We are looking at expanding our capacity in the commercial API segment as well as we are looking at acquiring newer technologies, acquiring newer customers and newer capabilities whether it is in sterile injectibles or biocatalysts, etc.,
- We will also look at expanding our API generic business but in the niche areas which have more complex chemistry, which are more difficult to do and where there is very very limited competition.

As far as the Critical Care segment is concerned, which is on Page 14,

- we intend to become one of the top-2 anesthetic companies globally. Today, we are the No. 3 company in this space. We already have about 20% of the market share in the US and
- now are looking to enter into the European market for Sevoflurane and into the global markets for Desflurane, a product which has not been introduced till now. And

we believe that this business can grow at a rate of 20-22% organically for the next five years.

- Again, we will look at acquisitions in this space which will give us access to products that can be sold through existing network of hospitals or to businesses that give access to newer geographies.
- We also are looking to tie-ing up with other companies to sell their products through our network, because the network brings-in great value and that is what we have done, for instance with Bharat Serums, where we are now selling Propofol.
- So we believe that we can build a 2000-crore business in this segment, both organically and through some inorganic means.

I will come to the OTC space.

- This space has been one which we have decided to again invest aggressively in the last year. This is the only space of the company is in direct touch with the consumer.
- We moved from rank 40 in 2008 to being top ten in 2011. So over the last three years, these sales have grown by 29% CAGR.
- Now, we have aspirations to make it to amongst the top three players in the OTC segment in India.
- We have powerful brands like Saridon, Lacto Calamine, I-Pill and we expect that two of our brands, I-Pill and

Lacto Calamine, will reach Rs. 100 crores in the near future.

- We are also looking at launching new brands and by increasing the geographic presence. We believe that by expanding our existing brands, entering into new segment, this business can grow at 30-32% organically for the next five years.
- With the acquisition of strong brand & companies in this space we will grow this business to be a 1,000 crores in 2016.

In addition to this, as you know, we are in the process of merging our NCE Research Unit, and as Rajesh said, this process should be completed by the third quarter of this year. In the Life Sciences or in the drug discovery:

- we are very confident that the pipeline that we have today should allow us to launch a molecule from our pipeline by 2014.
- We have 16 products under development in various stages and our lead molecule which is P276 is in Phase I in some areas and in late Phase II in other areas. Clinical trials are going on in multiple cancers in multiple centers. We are in head and neck, mantle-cell lymphoma, malignant melanoma, pancreatic and triple negative breast cancer.
- Another late stage product of ours; BST-CarGel for cartilage repair in the knees is in pivotal studies and the

final clinical report is expected to be completed towards the end of this month and we should be able to launch it sometime in end 2012.

- We are also looking at out-licensing opportunities for one of our diabetes molecule which is currently in Phase II, after the completion of this trial.
- We have been investing in getting high quality talent in this segment to drive innovation and growth. We have added globally renowned scientists and we have now got a senior management team which is perhaps the most experienced. Recent additions to the team include Dr. Alan Hatfield who was the Global Clinical Program Head for Gleevec at Novartis, Dr. Rob Armstrong who was the Ex-Vice President for Global external Research at Lilly, and Dr. Shashank Rohatagi, who was the Executive Director for Daiichi Sankyo, India. In addition, we have perhaps a stronger scientific advisory board with three of our members being Fellows of the Royal Society which is a singular honor, there are not that many people in the worldwide and to our knowledge perhaps no other company in this sector has got three members on their Board who are members of or the Fellows of the Royal Society. So we are committed to show some success in this space in the near future.

I will now come to the financial services space where what we are doing.

- As we communicated earlier, we intend to be a specialized financial service company with presence in lending to real estate, infrastructure, promoter financing, hospitals, education institutions, etc. The regulatory approvals have been received for this NBFC. The team has been in place and we have commenced operations in this quarter as far as that is in the second quarter as far as PHL Finance is concerned.
- We have completed the acquisition of Indiareit. The assets under management today are 3,800 crores and we expect that we will be able to grow this to have a cumulative corpus of about 13,000 crores by 2016. The investment in this will be in the region of 750-1000 crores and we should get a return of equity between 18-20%.
- Financial Services business, as I said, the way forward for PHL Finance which is our NBFC is that we have assembled our team together which is led by Mr. Purwar, who was the Chairman of the State Bank of India and has an experience of more than 35 years in the banking industry. We have created a strong team, we have created strong processes and we intend to build a loan book of 6,000 crores by 2016, our commitment in terms of equity in this space would be 1,000 crores and this should generate return on equity of about 15-16% by 2016.

- Additionally, as you are aware, we do have surplus cash available. At the end of June of this quarter we had about 3,200 crores of cash available. By the end of September, we should get another 1,850 crores from Abbott, giving us a surplus in the region of 5,000 crores by the end of September, whereas we will look for a long-term investment to put this money; we will take advantage of opportunities which are available in the short-term to the medium-term. So rather than leaving this money into the bank where we get a return of anywhere like 9% or 10%, if there are special opportunities which we could invest in these surplus funds we shall do that.
- But there are certain guiding principles which the Board has decided.
    - One is that if we do invest in these special investments, we will only take a minority stake in and we will not be really in the management, it is a minority stake
    - there should be global companies operating in India, in high growth sectors
    - The term of this investment would be short to medium term with a minimal risk and
    - where we can get a return on equity anywhere between 17-20%.

If we can satisfy these criteria which really as I said would be to park surplus funds in the short-to-medium term, we would look at such opportunities.

So if I come to summarize what do we look for in the future.

- By 2016, we aspire to become one of the top three CMO companies, one of the top two anesthetics companies globally and one of the top three OTC companies in the Indian market.
- We intend by 2016 to launch two molecules globally and to out-license a couple.
- We also will build a specialized financial services company which is built with a strong team, with strong foundation.
- And we will be also entering into a new sunrise sector.
- As we can see the revenues today should be in the region of 10,000 crores and we will aspire to get EBITDA margins of 18-20%.

The reason why I am giving you a broad vision is that I feel that every few months we will talk to you, explain to you how this company is changing and how we are going to invest in the future.

Thank you very much and now we are open to any questions that you would have from all of us, from Mr. Santhanam, Rajesh, Sagar and his team and myself are available.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Bhavin Shah from Dolat Capital. Please go ahead.

Bhavin Shah: Thank you sir for the detailed outlook. This is very helpful. Sir, on the OTC portfolio specifically, you parked in about 2500 crores; which would give you about 1000 crores by FY16. Would this also include possible acquisitions? which you already stated that but the revenue figure seems to be little lower really….

Ajay Piramal: Yeah, this includes acquisitions, and you are right, revenues is a little lower, but if I see which is the cost of now acquisitions, you see the last transaction which Paras took place what we are seeing it is almost 6-7 times multiple of sales. Whereas we may not pay that much, but we have to pay a much higher acquisition price than what we have paid in the past. Also, we believe that in the long-term this will create a lot of value and therefore, we invest in building our brand, it should give a positive return. But again, we will assess the situation as and when. If you see all our acquisitions till now we have been able to show a return. Even the acquisition that we did in the OTC space of i-pill which was done in early April 2010, we have been able to actually increase the sales almost three times. So that is the whole philosophy behind it.

Bhavin Shah: Understood, sir. Thank you so much. I will be in the queue.

Moderator: Thank you. The next question is from the line of Nimish Desai from Motilal Oswal Securities. Please go ahead.

Nimish Desai: Good evening to everybody. Just a couple of questions; one was on the CMO space, you indicated 18-20% organic growth till FY16, could you give us some more color what is driving this growth because in the past, the growth in this business has been quite volatile. So have things improved in this space? are you getting more contracts, what is basically going to drive this growth?

Ajay Piramal: So things have improved and we are getting more contracts, but will it be volatile over the five year period? that is why I have given you a five-year projection of CAGR of 18-20%. It could be volatile; at least our past experience has shown that it has been. So whether it will grow every year I am not sure, but I think over the five-year period we feel confident that it will grow because of the following reasons.

- One is that we are getting deeper and deeper into relationships with our customers. And one of the big trends that globally happening is that our customers are telling us that they want to reduce the number of people supplying to them, because the risk on them is very high today. If there is a quality fault and you have seen the number of fines many large pharma has paid. So they want to reduce the number of suppliers that they get and they are happy with what we are being able to deliver them in terms of quality and service.

- Secondly, the trend is definitely there towards more and more outsourcing, as we can see that pharma companies are finding it very challenging to meet their profit numbers globally.

So these two trends make us feel that 18-20% organic is a target that we can go for.

Nimish Desai: Okay. Would it be right to understand that as of now this is more like aspirational target?

Ajay Piramal: We have worked on some number but it is very difficult to estimate what happens after 3 or 4 years. So we have some specific targets what we are doing, which customers we are doing, we have clear visibility for 2012 and 2013, but beyond that it is still aspirational.

Nimish Desai: Okay. And just stretching it a bit further, given the visibility that you have for current year, next year, what kind of growth can be expected in this business?

Ajay Piramal: In the current year, the growth in the first quarter was 40%; I think the growth for the year will be in the 20% range.

Nimish Desai: The other question I had was to Rajesh, you just mentioned forex gain of about 76 crores for the quarter, what I wanted to understand, you also mentioned that these forex gains will continue till all Abbott payments are received, so just wanted to understand whether the same quantum will continue or how does it work? Because you would have taken forex

covers on the entire Abbott payment at the time of signing the deal.

Rajesh Laddha: We have taken majority of the forex cover against 1.6 billion receivable against Abbott. Quantum will vary depending upon how the Dollar - Rupee exchange rate moves, because we have to also book a loss on the receivable front. As far as the premium is concerned which is the difference between the cover price and the market price, the premium we amortize every quarter over the period of the contract, so we are sure that the gain will come, but the quantum can vary.

Nimish Desai: Okay, so in that connection could you tell us what are the current hedges that you have and approximately what rate would you have taken?

Rajesh Laddha: We have taken approximately 80% to 90% cover against 1.6 billion and the rate is close to about Rs. 49 to 50 average.

Nimish Desai: Yeah understood, okay. And the last question I had for Mr. Piramal, there is likelihood that some of the corporate groups could be allowed entry into the banking space, would Piramal be considering this opportunity?

Ajay Piramal: The banking guidelines need to come out and today, the regulatory environment is so uncertain, I do not know what the guidelines would be, but at that time we will take a call and I think when we decide, we will let you know.

Nimish Desai: No, the prima facie what I wanted to know is, is that a space which interests you?

Ajay Piramal: We are building a very solid NBFC, we are building it with very good people with strong processes and systems in place . I don't know what the regulations would be, if it is an attractive space, we will apply for it, but I think it is too early to say and I know that there are so many people, everybody talks about entry into banking, so today it would be very speculative for me to say any which way.

Nimish Desai: Yeah, the last question was on the patent litigation, the status of the patent litigation on Desflurane?

N. Santhanam: Nimish, we will be able to share this with you because as I told you last time also, the matter is subjudice, soon we will be able to share some details.

Nimish Desai: But has this litigation progressed any further?

N. Santhanam: Yeah, it has progressed.

Nimish Desai: Okay, and at what stage is this as of now?

N. Santhanam: As I told you these are all before the US court of law, so once I get clearance from my attorney we will be able to share, but it has definitely progressed.

Nimish Desai: Okay, fine, thank you so much.

Moderator: Thank you. The next question is from the line of Surya Patra from Systematic Shares and Stocks. Please go ahead.

Surya Patra: Just on the new molecule side, you have indicated that you would be investing around 600 crores in the next couple of years period, and few molecules are there in the advance stages also, Phase I Phase II like that, but what would be your strategy like, you would be conducting clinical trials here in India and subsequently out-license to somebody else, or do you have any plan to do those trials in the advanced market by yourself or what would be your way forward for the new molecules front?

Ajay Piramal: Today, we are doing our clinical trials in India as well as globally. So many of our molecules are getting trials simultaneously being done concurrently in India, in the US, in Europe as well, because we want to make a drug which can be launched in the global market, so that is one strategy. The second is to the extent we feel that there are certain molecules that we can do all the phases of clinical trials on our own without out-licensing them, we will do that. So for instance our lead molecule which is an anti-cancer molecule we are doing the clinical trials all on our own, but there could be other molecule like our diabetes molecule, which I talked about which is the Phase III; as far as diabetes molecule is concerned, it's a very expensive phase and it requires a large number of patients and it requires an expertise which we don't have. So, a molecule like that we

would out-license, so it will be a combination of both if I was to summarize. For your answer, one is we will do trials not only in India, but across the globe. Secondly, those products which we feel we can do all the various stages and launch on our own like an anti-cancer molecule we will do on our own, but in those other molecules such as the diabetes molecule, where the Phase III is much bigger, we will out-license.

Surya Patra: Is it possible this cancer molecule P276 would be launched by 2014 as you indicated somewhere globally it would be launched so that is the time that you require for completing Phase II, III in various markets?

Ajay Piramal: That is right and getting the necessary approvals of the regulatory authorities.

Surya Patra: Okay, for that, what is the kind of investment that you would be requiring, by 2014 you would be launching means the majority of the 600 would be there or what is the investment pattern it would be?

Ajay Piramal: No, I can not give you specifics for each molecule, but the investment will be towards doing clinical trial and then we will also have to set up sales and distribution network.

Surya Patra: And again, this 600 crores also it would be evenly spent over the next few years or how would the investments be?

Ajay Piramal: it could step up a little bit in the last few years, so in the earlier years it would be in about 100-125 crores region.

Surya Patra: Okay, thanks sir.

Moderator: Thank you. Our next question is from the line of Subramaniam Iyer from Trident Advisors. Please go ahead.

Subramaniam Iyer: I just need a clarification more about the details, the other current assets stands at around 5390 crores, of which 1788 is from Abbott, the balance 3602 crores, what portion of this would be cash in hand, liquid investments?

Sagar Gokani: The cash & cash equivalent is 1600 crores, receivable on the sale of Healthcare Solutions business from Abbott is about 1788 crores and our current investments which will be in the nature of FMPs or FDs with bank is 1285 crores.

Subramaniam Iyer: Thanks

Ajay Piramal: I just want to make a clarification on the question on the investments in R&D, I said 100 to 125 crores, I think they will be evenly spread out because of the increasing clinical trials, so we expect that investments will be about evenly spread in the three years.

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

Nimish Desai: Yeah, a couple of questions on the R&D side; one was regarding P276, the launch is indicated in FY14, when we launch, do we target all indications or it will be one or two indications, how is it going to be?

Ajay Piramal: It's difficult to say, these are all going on parallely, which one goes in front, which one will go at the back is too difficult today to say, it depends on the results; so therefore we are in that sense the risk is divided that we have about five different areas that we are targeting, it also means that the costs today is a little higher because you have to do different clinical trials, but sometimes one looks better, sometimes the other looks better and we may have to drop some as well, so that is the nature of that.

Nimish Desai: Okay, understood. The second NCE the BST-CarGel, the cartilage repair, NCE, if I remember correctly in the past, management has never discussed this opportunity, so is this an in-licensed NCE, which we are going to commercialize?

Ajay Piramal: No, so this is one of the acquisitions that we have done of a company called BioSyntech, Management had only spoken about that acquisition last year, so this is the product from that, so that is our strategy actually if you look at it there are many companies which are actually struggling to keep the heads over water in America especially and they have good products and good people, but they need the last leg of financing and with the tough market conditions there finding it difficult, so this is one of those investments that we had

made and it was a marginal investment last year, but we feel that in 2012, we should be able to launch this.

Nimish Desai: Okay, but we have global rights for this?

Ajay Piramal: Yeah, it's a 100% company owned by us, so we have all rights, all the people, everything, all the IP is owned by us.

Sagar Gokani: Nimish, the reason that we have mentioned only European market side here is that we have approvals only for Europe at the moment so we will expand that as we get more positive results.

Nimish Desai: Okay, and then what would be the potential global market for this?

Sagar Gokani: $500 million.

Nimish Desai: $500 million, okay, and last thing in P1736 the diabetes molecule, now in the past also we have spoken about potential out-licensing of this molecule. Just wanted to know whether any progress has happened on this front, have we talked to people or we are beginning the process now at this stage?

Ajay Piramal: We will begin the process now, the real value in out-licensing also comes when your Phase II is completed, the proof of concept, so when we do that I think we will begin it, there is a fair amount of interest in this type of molecule generally in the world.

Nimish Desai: Okay, fine, thanks a lot.

Moderator: Thank you. The next question is from the line of Raunak Onkar from Parakh Parekh Financial Advisors. Please go ahead.

Raunak Onkar: I just wanted to know in the financial services sector usually there is a key management risk involved, so how do you plan to manage it going ahead?

Ajay Piramal: The way we are doing our financial services sector is that we have got a team of people, it is not only one person, so you do not have these very very high profile if I may say executives, second thing the way we are incentivising our people is towards a long term return on these basis, not any short-term investments so they are tied-in for the long-term. Thirdly, I just want to bring to your attention that people on our board have actually a lot of experience in this financial sector. Just to recall we have Mr. Vaghul who you know was the Chairman of ICICI, we have Mr. Deepak Satwalekar who was Managing Director, first of HDFC then HDFC Life, we have Mr. Malegam and we have Mr. Amit Chandra who just joined us, who was also running the financial NBFC for Merrill Lynch for many years, so we have a people of lot of experience, we are building the right systems, processes and getting good people, and our brand also a company, a reputation is there, so we feel pretty confident.

Raunak Onkar: Okay, thank you so much.

Moderator: Thank you. Our next question is form the line of Arpit Ranka from Tactica Capital Market. Please go ahead.

Arpit Ranka: I have a couple of questions; one pertaining early in the call Mr. Santhanam has said that subsequent to the merger of Piramal Life, our tax liability would go down to 5-6%; I just wonder if you could elaborate a bit on that as to till what point in time we will be able to experience this lower tax rate?

Rajesh Laddha: At least for next two to three years, we think that the losses which will come, the carry forward losses from Piramal Life Sciences, at least for two years FY12 and FY13 we are confident that it will remain in this range.

Arpit Ranka: Okay, yeah thanks for that and second question is for Mr. Piramal, if you just put across, club all the investments that have been envisaged in across the segments, it comes to something like 9,500 - 10,000 crores, so I just want to understand thought process and thats about the money that will be available with us coming from Abbott in the near future as well. So are we still actively looking out to enter newer areas where capital outlay would be significant in terms of size or which would probably involve taking some leverage or we are pretty much, this is a roadmap that we have for the next three, four years in terms of capital

investment. It would be great if you could just throw some light on that?

Ajay Piramal: So, we are looking at newer areas, as I had also said in my opening, we are looking at a new sunrise sector and see, this investment is over a five-year period, I think so, we will have cash which is available during this period as well and all these investments should also give return and if leverage is required we will take it. In the past if you have seen that we have taken good advantage of leverage and have been able to give good returns on that. So if we find that there is an investment that requires us to invest more and leverage is required and it gives us a good return on our equity, we would do that.

Arpit Ranka: Okay and just a sort of comment, when I go through your remark, where you said that you will be looking at acquiring minority stakes in global companies operating out of India. The question that came to my mind was if we did a buyback at 520, the cash is still at 580, stock is at 380, 390 so is it possible that the Board could at future point in time consider another buyback or something, because it comes on the top of the priority list in terms of generating return on equity of 18% to 20% so is it something that you could comment on it?

Ajay Piramal: So the Board is always conscious of this and several other initiatives the Board does take, just keep in mind that the

Board will do what is in the long-term interest of shareholders.

Arpit Ranka: Okay, thank you sir.

Moderator: Thank you. We have a next question from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

Gaurav Jalan: I have a question on PHL Finance, you shared your vision that you expect to generate an RoE of about 15% to 16% on this business, I am just wondering is that a conservative estimate, because it seems a bit low even compared to the other businesses and also if you look at other NBFCs, I mean well done NBFCs do tend to generate higher RoEs so if you could just comment on that, please?

Ajay Piramal: So we do want to build conservatism in this business because we believe that to get a NBFC, solid strong foundation if you set up very aggressive target it is easy to achieve them in the short-term, but one does not know what happens in the long term, so as we learn more and more about this business, we shall increase it, so the easiest way for us to do is actually increase leverage, but we have deliberately kept it at a lower level only because we want to be conservative as we start-of. I think we will update you as we go ahead in the future as to what we can do but this is a conservative estimate.

Gaurav Jalan: Okay, thank you.

Moderator: Thank you. We have a question from the line of Nirjhar Handa from M3 Investments. Please go ahead.

Nirjhar Handa: Yeah, Mr. Piramal you have in the presentation mentioned that PHL will invest roughly 1500 crores in the Indiareit, so is it just like something like a sponsor's contribution or can this amount rise further also?

Ajay Piramal: No, this is actually a sponsors' contribution and I want to actually revise that figure, it will be about 1000 crores as a sponsor's contribution.

Nirjhar Handa: Okay, out of a total asset base of 13000 crores?

Ajay Piramal: Yeah.

Nirjhar Handa: Which you have targeted?

Ajay Piramal: So depending on each fund but the range will be between 5% to 10% is what we would invest as sponsors.

Nirjhar Handa: Okay, and nothing beyond that?

Ajay Piramal: No, in fact the global average is much lower as you perhaps know; it is like only 2%, so we would do a little more.

Nirjhar Handa: Right, and secondly just want a clarification on the tax rate FY12 and FY13 will be how much? I missed that.

Rajesh Laddha: It will be in the range of 5 to 8%

Nirjhar Handa: 5 to 8%, once the merger takes place?

Rajesh Laddha: Yeah, on consolidated basis.

Nirjhar Handa: Okay, thank you very much.

Moderator: Thank you. We have a follow-up question from the line of Nimesh Desai from Motilal Oswal Securities. Please go ahead.

Nimesh Desai: Yeah, one last question, linked to investor returns, if I trace out the history of Piramal Healthcare, the achievement has been excellent in terms of generating very high return ratios in the past many years. From what I see in terms of the new business areas that you are getting into plus all the investments needed to scale up existing businesses plus acquisitions, would it be fair to assume that going forward the same return ratios should not be expected, maybe there will be a bit lower because you have given some indication about return ratios for some of the businesses, the newer ones at least, so somehow if I try to connect historic numbers with what has been projected for future, should we expect overall return ratios at a consolidated level to be lower over the next 4-5 years, when you reach your target?

Ajay Piramal: The fact is that we have this large pool of capital that we have to invest, and it does take time, so over a longer period we hope that we will get good returns. And also the past has been, 20 years CAGR of 40% if I was to project that into

future would be totally, I think it would be just too optimistic.

Nimesh Desai: No, not the CAGR.

Ajay Piramal: You will see that over a period we will build solid businesses, which will give us return, also a joker in the pack frankly can be the drug discovery, if you have seen the history of most companies, if you can get a drug which is really discovered and launched, that is where you can get a significant upside, which has not been included in this and no Indian company till now has done it, so I do not want to over promise, if you have seen in the past also whatever we have said we have delivered and probably delivered better so we would just like to have those guiding principles behind us today.

Nimesh Desai: Okay, and you also indicated that you want to enter one more sunrise sector, I mean I got a bit confused, is it financial services or there it is over and above that you want to enter?

Ajay Piramal: In addition to financial services, there will be some other sectors that we are looking at it, we have not yet finalized it.

Nimesh Desai: Okay, fine, thank you.

Moderator: Thank you. At this moment we do not have any further questions. I would now like to hand the floor back to Mr. Sagar Gokani. Thank you and over to you sir.

Sagar Gokani: Thank you for your time and thank you for attending the conference call. If there are any other questions please do not hesitate to contact me or Prasad. Thank you.

Moderator: Thank you sir, thank you members of the management. On behalf of Piramal Healthcare Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.