

"Cipla Limited Q4 FY14 Earnings Conference Call"

May 29, 2014







ANALYST: MR. KAWALJEET SALUJA – HEAD OF RESEARCH,

KOTAK INSTITUTIONAL EQUITIES

MANAGEMENT: MR. RAJESH GARG - GLOBAL CHIEF FINANCIAL

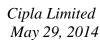
OFFICER, CIPLA LIMITED

MR. V. S. MANI - HEAD OF FINANCE, CIPLA

LIMITED

MR. ANANT ATAL - HEAD OF INVESTOR

RELATIONS, CIPLA LIMITED





Moderator:

Ladies and gentlemen good day and welcome to the Cipla Limited Q4FY14 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kawaljeet Saluja from Kotak Securities, thank you and over to you Mr. Saluja.

Kawaljeet Saluja:

Thanks, Karuna and good evening everyone this is Kawaljeet here from Kotak Institutional Equities. I thank the Cipla Management for giving us the opportunity to host this call. From Cipla we have Mr. Rajesh Garg, Global CFO, Mr. VS Mani, Head of Finance and Anant Atal, Head of Investor Relations with us. I will hand over the call now to Mr. Rajesh Garg for his opening Remarks. Over to you sir.

Rajesh Garg:

Thank you Kawaljeet. Good evening to all of you and welcome to our Fourth Quarter Earnings Call. As Kawaljeet said I am joined by my colleagues Mani and Anant here. I hope you have received a mini brief investor summary that was posted on our site and I think was sent to most of you.

I am actually going to kick-off by just walking through some of the salient points of our performance for 2013-14 as well as some elements on quarter four.

Basically we are ending year one of our two year investment cycle. We have had very robust sales growth of 22% and have now crossed the important barrier of 10,000 Crores. Essentially two-thirds of the growth came from the base business and one-third from acquisitions. We have an extremely strong cash flow & operating cash flow grew to 1000 Crores versus 630 Crores last year and this figure is more than 60% of the operating profit for the year.

EBITDA for the year at 21% is on track as agreed with our three year plan, excluding oneoff of Escitalopram and some of the investments in talent acquisition and R&D pipeline, we were able to offset a lot of that with manufacturing cost efficiencies.

In terms of strategy we are on track to achieve our growth aspiration versus our three year business plan and Africa now contributes a quarter of our overall sales. We have de-risked South Africa and Uganda which were very critical to our plan.

In terms of R&D, our investment and the results are now showing with the focus on the new structure, we are actually seeing 30% increase in efficiency and productivity which has resulted in more than 200 formulation projects underway which is close to double versus what



they were 12 months ago. Our filing intensity as we spoke about in the last call has increased. You have seen the number is more than 90 European and North America filings, more than 1000 international filings and overall our respiratory plans are on track. Having the global horizontal business unit is very much reaping dividend for us.

In terms of quality, we now have a fully established quality organization, across all our factories and the organization reporting directly to the CEO. We are now in continuous improvement mode to be ahead of cGMP and any regulatory standards.

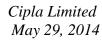
If I move on to our business units just to touch some highlights on the key business units from India on the RX and the GX business we had growth of 17% which is double that of the industry and obviously that is now reflected in the market share for our branded generics which has grown from 4.7% to 5.3% in the last six months, but despite 17% growth, the India business now contributes only 40% to the overall sales versus 45% in 2012-13.

We continue to focus on field force productivity but another paradigm shift for Cipla has been the fact that we have opened the in-licensing opportunities to leverage our excellent sales, marketing and distribution presence and reach across India. One of the examples that was announced, many others to come, was the launch of in-licensing with MSD on second-line HIV drug Raltegravir. We also are very comfortable now with the performance of Etacept, our first biosimilar.

Moving to our international business which we define here as rest of the world, so it excludes India, South Africa, EU and North America. This business represents a vast expanse across 120 countries and 180 partners and over 1000 products and this business grew30% versus last year. Within this business, we have now completed the Uganda integration which has gone through amazingly smooth and have deployed key personnel from here including the CEO and a CFO.

Overall in international, given the vast expanse, we actually have a very well defined, systematic and differentiated strategy for each country. It is not a straight jacketed approach and we have what we call the horses for courses. We have range of partnerships, acquisition, JVs and pure distribution.

Our strategy for some of the big markets is underway and one of the other horizontals we established was the global access business and we are seeing huge results as far as traction from some of the big global institutional buyers and global funds is concerned.





Moving onto South Africa, the business had a terrific year with 26% growth on a like-to-like basis obviously we have numbers for only three quarters and the business is outperforming the market so far for a business that went through amazing amount of change with Cipla India acquiring them followed by a lot of changes in the leadership with the new CEO who has a 20 years plus pharma and generic experience (Paul Miller), as well as deployment of key personnel in finance, manufacturing and supply chain. So in light of all these changes, we are on track with the acquisition business case and the business continues to outperform.

North America grew 19%, we expanded our pipeline from 35 to 50 products and we had 16 filings and 13 approvals in the year 2013-14. We continue to actually build partnerships, so it is not a complete switch. We have a two pronged strategy and while the Cipla own label is in process, we continue to forge big partnerships with strong distributors and customers.

Europe grew 40%, obviously in Europe the focus is to now shepherd the key markets with the key respiratory launches that are on the anvil. We have now established API, the bulk drugs unit, as a horizontal and this is giving this part of the business, the much needed focus and it delivered 29% growth in sales driven by 19 DMF filings.

So what do we look forward to in 2014 and 15? Well, I think we feel we have a very clear focus on where to play which means strengthening both our home markets India and South Africa and building the frontend in select key international markets. In terms of pipeline, I just talked about making sure the next three year launches hit the market on time, of which, by the way, 85% are on track and we continue to invest in R&D. In terms of cost management, capital stewardship and operational excellence, I think we now have the right team which is managing those three which are very important to drive the productivity of the organization. In procurement efficiency we have a very stringent framework and thinking on capital deployment and capital expenditure, which obviously got reflected in our cash flow, which as you saw was much better than that of last year.

Overall we have a good organization, we continue to build the capacity all across R&D, regulatory, quality and general management which will help us drive strong sales and profit growth and we believe we will continue on mid teens topline growth, margins we believe for 2014-15 will remain flat versus prior year backed by a strong cash flow.

With that I hand it back to Kawaljeet.

Kawaljeet Saluja: Karuna can we open the lines for Q&A.



Cipla Limited May 29, 2014

Moderator: Sure sir, thank you very much sir. Ladies and gentlemen, we will now begin the question-

and-answer session. First question is from the line of Saion Mukherjee from Nomura. Please

go ahead.

Saion Mukherjee: Thanks for taking my questions. Sir just two questions, first on the respiratory launches in

Europe, you mentioned that you are looking at that launch next year. So can you just take us through what kind of visibility you have and particularly for the combination inhalers and do

you need to put up any kind of frontend in the key markets?

Anant Atal: Hi, this is Anant here we had mentioned in the last call that on the combination inhalers we

are looking at two or three of the European markets where we are going to launch this year. Think of it more towards second half of the year when you can expect to see these launches. In terms of the frontend, given it is effectively generic it is not going to be a massive frontend we already have a very, very lean team which essentially means it is really about either going through a wholesaler or having direct discussions with hospitals or the centralized buyers of

these products.

Saion Mukherjee: Do you expect these products to be substitutable particularly combination products.

Anant Atal: Yes.

Saion Mukherjee: And the second the other income is there an element of Forex gain or loss can you give us

that number for this quarter?

V.S. Mani: There is a gain of about 40 Crores in this quarter.

Saion Mukherjee: And that is in other income right.

VS Mani: That is right.

Moderator: Thank you. Next question is from the line of Manoj Garg from DSP Merrill Lynch. Please go

ahead.

Manoj Garg: Good evening and thanks for taking my question. The first question is largely on the raw mat

cost where even in sequentially we have seen the increase of around 210 bps so can you put

some light on that?

V.S. Mani: Manoj this is Mani here. See basically when you look at year-on-year one of the key reasons

why our mat cost is higher is obviously because of the higher proportion of ARV in the sales

mix in this quarter as we also said that Africa has grown and ARV was higher and definitely



Cipla Limited May 29, 2014

that carries a higher amount of cost. And also in the previous year in the last quarter we had a one off small upfront from MEDA. So these were two key reasons why our mat cost is high.

Manoj Garg: Mr. Mani I was just talking about sequentially like from 38.3% to 41.4%.

V.S. Mani: Yes that is what I am saying again that the ARV sales were a bit higher that is the reason why

it is looking little bit skewed.

Manoj Garg: And in your presentation you have indicated that there was around 65 Crores kind of Forex

loss during the year because of higher depreciation so in which line item and like any of that

Forex loss which is there in this quarter.

V.S. Mani: It will come basically in the other income it will be throughout the year.

Manoj Garg: The 63 Crores.

V.S. Mani: That is right.

Manoj Garg: And is it the net number or it is only for the South Africa business?

V.S. Mani: That is only for Medpro but if you look at overall we have made a profit.

Manoj Garg: Overall profit for the year.

V.S. Mani: Yes.

Manoj Garg: Can you just say that number sir?

Anant Atal: Just to clarify Manoj on an overall year basis we have gain on foreign exchange. We have

lost on Medpro. There is a small negative and there is a larger positive and that number

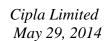
isreflected in the other income.

Moderator: Thank you. Next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: Good evening thanks for the question. I just wanted to understand this in terms of run rate in

terms of we talk about the first year of the two years cycle the kind of performance we have done say last quarter and this quarter moving forward obviously we are into that investment phase would it be fair that similar kind of operating performance with marginal improvement

we could see for the next four quarters.





Rajesh Garg: I think we are well on track for the year to be close to the number which is 21% but obviously

it will take us a quarter to get through but given what we are seeing in April and May we are

confident of meeting that numbers.

Prakash Agarwal: And if you directionally give us some idea in which markets we are seeing that kind of traction

because in terms of operating performance if I look at and strip the other operating income

we are around 13% margin.

V.S. Mani: Prakash I think our EBITDA is well above that it is about 16.5%.

Prakash Agarwal: So that includes other operating income 90 Crores.

V.S. Mani: Yes that includes the other operating income, I mean the other operating income is not much

in this quarter. Actually it is basically the export incentives and stuff like that which come in

this part of the business.

Prakash Agarwal: So directionally you are saying this 16% in the next four quarters we are looking up further

21% that is...

V.S. Mani: That is a gradual build up while we do agree that last year the full year is about 21% the first

two quarters were much higher but obviously when we do an investment phase there is a point of time and there is an inflection and hence for the last 2 quarters EBITDA was not so high. So we believe that the year should go closer to what we are looking at, but next couple

of quarters will take an upward trajectory.

Anant Atal: Yes, in the second half of the year you will really see some of the operating leverage and the

margin improvement happening. Coming back to the first question that you asked in terms of the market I think it is reasonably clear that we are split into five zones. In the two home markets India and South Africa, there will clearly be a big focus on continuing to gain market

share. US is really about continuing to build the franchise and like we mentioned earlier, the US story is more two, three years out but over the next year it will be primarily a normal

organic growth and you will see similar growth rates as you have seen in the past. For Europe,

look out for the combination inhalers in the second half that should give a bit of an uplift in the year. Cipla international is a big segment and has two elements that is rest of the world as

well as our institutional business. I think institutional business will continue to grow. The

focus is going to be around profitable growth there and on the rest of the world, it is really

going to maintaining the momentum that we had in the past year and really focusing on getting that additional profit out of the system now. Wherever we have kind of built some of

these frontend, it is really going to be about extracting that value now.



Cipla Limited May 29, 2014

Prakash Agarwal: And lastly on the R&D side what is the scale up we expect in the next year and a year after

given that we have a lot of products on the development and we are entering into higher end

products.

Rajesh Garg: I think we are approaching our kind of goal which will be between 6% and 7%.

Prakash Agarwal: So this would be applicable for fiscal 15 and 16.

Rajesh Garg: Yes correct that is what I said.

Moderator: Thank you. Next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: First question on India full year growth of 17% is healthy but can you give your quarter four

numbers from my calculation seems like a decline.

V.S. Mani: The quarter four, Girish, has been at about close to 19% in fact the very good quarter;

compared to quarter three it is lower, but on a year-on-year basis it has been a very good

quarter.

Girish Bakhru: Okay so QoQ you are saying it is a decline but year-on-year...

V.S. Mani: But that fourth quarter is always pretty low for most pharma companies.

Girish Bakhru: And on the new launches side if I look at there has been lot of new launches especially in the

acute segment like anti-infectives and although you have launched Etacept Biosimilars but

how are you seeing in the business forward in terms of the new launches.

V.S. Mani: Well we see a very strong in the sense India business in terms of new product launches we

do see it at a good level.

Rajesh Garg: So new product launches have now started to contribute almost double of what they were

doing twelve months ago and I think with that focus I believe we could continue to drive that

upwards.

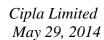
Anant Atal: Like we mentioned in the presentation the share of new product launches has gone from 1.5%

in Q1 of last year to about 3.5% this year I think we are looking at trying to maintain that

level of momentum for the next year as well.

Girish Bakhru: And on the Medpro side has since the acquisition have you seen more change in the mix of

Medpro like more of the generic products vis-à-vis OTC or is it largely 70:20 how is Medpro?





V.S. Mani: The business continues to remain quite stable in the sense while we had tender products even

earlier, they continue to be there but in terms of as you said we have maintained our market

share and infact it has grown.

Girish Bakhru: And just lastly on the overall margin improvement that we are talking about and I had

assumed that there will be more pro margin gain from Medpro with the preferential pricing

is that something that you have not been getting at.

V.S. Mani: No, this was obviously the first eight months of buying this company and again if we look at

it, normally the first quarter of the year is pretty good and the fourth quarter normally after the Christmas season is a little bit of a lull so probably over full year you will get a better idea

of that.

Rajesh Garg: And I think the statement we have made on the South Africa about it being earnings accretive

and margin accretive over a two year period so I think we made the acquisition in July of 2013 think of it about another 12 to 15 months away from getting there but the momentum is

positive.

Moderator: Thank you. Next question is from the line of Ranjit Kapadia from Centrum Broking Limited.

Please go ahead.

Ranjit Kapadia: Sir my question relates to the North America you said that a 19% growth and if you can repeat

the number of filings and what is the strategy for the US market.

Anant Atal: The number of filings we had last year was 16, we got 13 approvals I think the strategy really

is if we think of it, it is effectively a two-pronged strategy right now where we will continue to partner with a lot of our existing partners so that is the model that we have had historically

and we have got great relationships with these partners. We have got our products licensed and that is going to continue but in parallel towards the end of this year Q4 of this year or

maybe Q1 of the following year is when we are looking to go live in the US that is when we

actually will have our Cipla branded products there and both of the models will continue to

exist for a period of time and again I think from a point of view when does the real momentum

in the US business kick in, I think that will happen but we are about two to three years out so

you will continue to see the steady growth rate; but the real momentum and when a lot of the

approvals of the respiratory portfolio the oncology, injectables, differentiated generics will

happen 2016-17 onwards.



Cipla Limited May 29, 2014

Ranjit Kapadia: Sir my second question relates to the domestic market, NLEM products the government has

allowed 6.3% increase in the prices so have we taken the full increase or we have taken part

increase.

VS Mani: Some of the products we have taken increase.

Ranjit Kapadia: And what is the average increase.

VS Mani: It would be roughly around the levels what you indicated.

Moderator: Thank you. Next question is from the line of Surject Pal from Prabhudas Lilladher. Please go

ahead.

Surjeet Pal: Thanks for the opportunity. I have just two questions, could you breakup this Q4 domestic

growth of 19.3% in to new launches volume growth and price growth.

Rajesh Garg: Sorry I do not think we can give you that breakup we will have it with us but from a disclosure

point we are not going to actually share right now.

Surject Pal: Could you throw some light on Xopenex launch in US because I think there is not much of

data shown in IMS in US prescription?

Anant Atal: I think on Xopenex basically we got the approval and we did not have all our US state

licenses in place because approval came in a little earlier than we were anticipating so what we are looking at is we are having several partner discussions and we are assuming that launch

will happen relatively soon.

Surject Pal: Without partnership from your own stable going do you think that trade license will allow

you to launch your own.

Anant Atal: That is what I have mentioned in the previous question which is where we are look into go

live in the US towards Q4 of this year or maybe early part of Q1 of the following year.

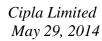
Moderator: Thank you. Next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please

go ahead.

Chirag Dagli: Thank you for the opportunity. Sir how many products are we looking to launch in the US

over the next 12 to 18 months, whether it is partnered or our own, obviously there will be no

own products but partnered.





Rajesh Garg: Over the next 12 to 15 months we will be looking at 15 to 20 range.

Chirag Dagli: So you are talking of launching 15 to 20 products in the US over the next year, okay and most

of these I am assuming will be partnered.

Anant Atal: Well you can assume that over the next 9 months most of them would be partnered yes but

we have prioritized the ones that we want to go ourselves and those will be a little more back

ended.

Chirag Dagli: Sir in typically a partnered product what sort of visibility, since this is dependent on litigation

etc. what sort of visibility would Cipla have on launches?

Rajesh Garg: You are asking about the launches which we have through our partners?

Chirag Dagli: Yes.

Rajesh Garg: It is a reasonably good level of visibility because there is constant engagement with the

partners and partners have certain binding agreement that we have with them in terms of achieving certain milestones having certain timelines based on the launch agreement with us so these are reasonably specific agreement so we have quite a lot of visibility and normally the commercials are pretty well understood between both sides, they are very clear about

what kind of floor is there and what kind of profit share we get from there.

Chirag Dagli: Fair point sir what I am trying to gauge is that you guided to flattish margin for FY'15 and

sort of mid teens kind of growth mid teens is where India and South Africa will both grow have grown in the past and will continue to grow in FY'15 and Europe will see inhalers US we will see 15–20 launches, probably 10 launches in FY'15, then why should the sales growth

not be much higher than the mid teens kind of a number that you are guiding?

Rajesh Garg: I think you would see a lot of that will be back ended so a lot of the momentum will come

towards the second half of the year so you would start seeing a lot of the impact of this on a full year basis coming the following year and onwards. Launching a respiratory product in Q4 or towards the end of Q3 it will give me a boost in the growth but it is on a zero based so

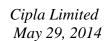
net-net the growth number will be lower right.

Chirag Dagli: Fair point sir and on Dymista sir if you can last time around you had shared some numbers if

on Dymista you can share how it has done in FY'14 and how should we think about this over

the next say 2, 3 years what should be the kind of growth opportunity.

Rajesh Garg: No, we have a CDR with the party so we cannot read much of that.





Chirag Dagli:

If I can squeeze one more question sir, sir conceptually when one looks at the US market while we are trying to change the frontend has there been any dramatic change in the R&D filing thought process per se in a sense what I am trying to gauge is that we combined Fluticasone and azelastine and came up with an innovative product called Dymista but on the standalone azelastine generic product and the standalone Fluticasone Propionate product we do not have a filing or we do not have a product in the market yet while the market there has been a generic market formation how should we think about this has this slipped Cipla's R&D or will these products come in future how should we think about this.

Anant Atal:

I will think of them as coming in the future. Again we will look to build a comprehensive respiratory portfolio for pretty much all markets but at the same time we will try to not necessarily play in areas where that will become heavily genericised so you will have 10, 15 plus players. Also, that is from the point of view of the future filing what is already out there we cannot necessarily control but from the new filings and the work that is in progress which Rajesh also spoke about the 200 plus development products that we have, those are all very targeted opportunity, specialty generics and hence not necessarily meet.

Chirag Dagli:

Sir my point was actually for the older products only rather than the newer filing that we will do because some of these markets have already got formed which is I was trying to get some sense of can we expect Cipla to enter in some of these products where either we have had the combinations for example Lamivudine and the Zidovudine both of which individually we sell in Africa but the combined product there is an opportunity in the United States. So the way how should we think about this should we think that Cipla is missed the combination product opportunity which by the way is a four player opportunity in the US today?

Anant Atal:

No I do not think you should think like that. Again it is specific bet that we are going to look today and which we have actually decided; so I would not say that we are not looking at an opportunity which definitely is there and we will see it in some of our filings over the next 12 to 18 months.

Moderator:

Thank you. Next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala:

Thanks very much. I just wanted to confirm not too sure whether US that I heard Chirag say that what is the guidance for fiscal 15 topline and margins on an overall basis?

Rajesh Garg:

Mid teens topline growth and margin will be very similar to this year on a full year basis which is about 21%.



Sameer Baisiwala: Second question is you have alluded to 3 years EBITDA plan that the company share with

the board since you put this in the presentation is it possible to share some color or some

thoughts on this?

Rajesh Garg: It is going to be North of the level we saw this year and next year and we are not going to

give guidance on specific numbers but you can assume that there will be a certain improvement. We maintain that with the growth rate, the fixed cost structure is not going to fundamentally change so you can kind of do the rough math in terms of what margin we will have and specifically given that a lot of the growth is going to come from higher margin

markets potentially.

Sameer Baisiwala: And when you say EBITDA plan you are saying EBITDA margin plan and that is going to

be higher than what it is going to be in the sales perspective.

Rajesh Garg: Yes.

Sameer Baisiwala: And one final question from my side you talked about some heavy weight or so to say or

bigger opportunities in US which is oncology and respiratory products which should hit the market sometimes fiscal 17 can you just update us what is the status on the filing for these

products right now?

Anant Atal: Like Rajesh mentioned, we have got this respiratory center of excellence we have got a lot of

insight now on the regulatory requirements and the regulatory pathway and then we have also built the expertise now for the clinical aspect of it and what it takes to actually get some of these products to market. So I think you can assume that for that set of products we are amongst a few handful of players who are really going to compete and have a likelihood of

success in those areas so I think beyond that honestly all I can say is that our plans are on

track.

Moderator: Thank you. Next question is from the line of Chirag Talati from Espirito Santo. Please go

ahead.

Chirag Talati: Hi thanks for taking my question. I have two are three questions. Firstly if I look at your

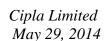
presentation, I am not really able to comprehend the Cipla Medpro numbers that you are

sharing, are these numbers that you have made or do these represent a market.

Anant Atal: This is our sales Cipla is a like-to-like so it is Cipla sales through Medpro South Africa. Now

it does not include their sales in their market so that additional margin that they make so if

you do the math you will see that the South Africa business contributed about 13.5% to





overall sales for the FY'14 so if you just kind of do the math it will come to about 1200 to 1300 Crores so that is the fully consolidated number for the full year.

Chirag Talati: Yes, but if I then go back and look at Medpro numbers that they reported in 2012 and that

they reported in 2013 to me it seems like the business has actually experiencing the CVS

space rather than the 26% growth.

V.S. Mani: Chirag I think partly we also have to realize there was an offset because of the ZAR

depreciation. There was 20% depreciation in the ZAR so if we look at it like-on-like or taking last year standalone versus this year three months being standalone and then the consolidated

almost added about 500 Crores to our overall topline.

Chirag Talati: Thanks and with regards to your margin progression is it fair to assume that if you are talking

about a 21% blended rate should we be looking at really going about to 23% towards back end of the year if you have to realistically achieve 21% margins average for the full year is

that possible.

Anant Atal: Possible but it is fair to assume that you will have quarters when the number will be above

21% now.

Chirag Talati: You mentioned that next one quarter could be similar so if you actually have one quarter that

is doing 18% margins then you really need to have two three quarters that do much more than 21% so what I am assuming is that what will drive that 22.5% margin will it just be operating

leverage or there will be gross margin improvement as well.

V.S. Mani: I think partly Anant had answered like while India and South Africa are mid teens ones, some

of the other markets would experience better growth so that would come more in the back end of the year and your question is not like we will have in our plan one quarter which will

be like a 40% margin one quarter and it is going to be a reasonably steady increase in the

margin levels but on average we will lend with the 21% level.

Moderator: Thank you. Next question is from the line of Sriram Rathi from Anand Rathi. Please go ahead.

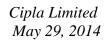
Sriram Rathi: Just two questions continuing on the other operating income part it seems to be 90 Crores this

quarter versus normal run rate of around 40 to 50 Crores so does this include any milestone

income or something like that?

Rajesh Garg: No there is no milestone; this is basically our regular export incentives and things like that.

Sriram Rathi: So we can expect this to continue going forward.





Rajesh Garg: Thereabout yes.

Sriram Rathi: Second question is what would be the Capex for FY'14.

Anant Atal: Well, we expect it to be close to last year figure of about 400 plus but we also expect some

spill overs of the previous year of about 100 Crores.

Sriram Rathi: So 400 Crores for FY'15 also.

Rajesh Garg: With a spillover of 100 it should be about 500 plus.

Moderator: Thank you. Next question is from the line of Nimish Mehta from Research Delta Advisors.

Please go ahead.

Nimish Mehta: Thanks for taking my question. Sir can you give some color on the inhaler market in Europe

among the existing players, how is it? How are the generic players faring and what do you

expect from your own launches that will happen in the year?

Anant Atal: I do not think we are authorized to comment on how other players are performing or doing. I

am assuming you guys would have a good view of that but I think we have our plans for the launch, I think there are two or three markets which we are working very hard on right now to ensure seamless, flawless execution and launch and making sure we actually deliver as per

the plan, we are reasonably confident that we will deliver.

Rajesh Garg: Only thing I can add is that overall our team is confident that governments are looking at this

as a way to contain their healthcare cost so there is nothing that would disappoint us or tell

us otherwise in terms of our plans.

Nimish Mehta: But will these products be substitutable or it will not be substitutable in those markets

currently.

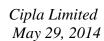
Anant Atal: It should definitely be substitutable.

Nimish Mehta: Okay, but do we have any other generic products right now which are substitutable. I am

talking about the combination inhalers.

Rajesh Garg: In Croatia we have launched the combination inhaler.

Nimish Mehta: And that is substitutable.





Rajesh Garg: Yes.

Nimish Mehta: That means that you will not be requiring any sales force to market this or a major sales force

to market in this.

Anant Atal: It depends on market. We will have a small sales force to go direct to market and in others it

will be through partnerships and wholesalers but it is not like massive numbers it is small

single digit type or slightly above that the numbers.

Nimish Mehta: And just one little question on the US market have we launched the generic Nasonex product

in US.

Anant Atal: No we have not launched the generic Nasonex product.

Nimish Mehta: Any expectation when can we expect that.

Anant Atal: We cannot disclose we had that in a partnership so we are not in a position to comment.

Nimish Mehta: It will be subject to the partnership they will decide the timing of the launches that is how it

is.

Rajesh Garg: Both of us kind of work it together and come up with it.

Moderator: Thank you. Next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: I just wanted to get a sense on what is the total number of filings we have currently we saw

16 filings this year.

Rajesh Garg: In North America.

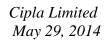
Prakash Agarwal: That is right.

Anant Atal: Yes, 16 filings this year.

Prakash Agarwal: But what are the cumulative pending approvals?

Rajesh Garg: We have 84 approved ANDAs and we have commercialized more than 40 products.

Prakash Agarwal: And the pending sir?





Rajesh Garg: 34 ANDAs are under approval.

Prakash Agarwal: As also asked by a previous participant if you could share the India International business for

the quarter because it is not matching actually there is some restatement I guess.

Rajesh Garg: See India business what is not shown in the slide is the focused RX and GX; we also have

some institutional sales and other things which would not reconcile with the published

numbers on the site.

Prakash Agarwal: If you could help us understand what would be the difference. I am looking for a like-to-like

what you reported on Q4 2013.

Rajesh Garg: Q4 2013 for India versus 4Q 2014 for India is that what you are looking.

Prakash Agarwal: That is right sir.

Rajesh Garg: So that is what is shown here, if you ignore those institutional supplies and all it is 17%.

Prakash Agarwal: Because we are getting a decline as also asked by the participant.

Rajesh Garg: If you look at the press release which is uploaded on our website you get the quarterly

geographic breakup.

Moderator: Thank you. Next question is from the line of Anubhav Agarwal from Credit Suisse. Please

go ahead.

Anubhav Agarwal: One question on US, other than respiratory what are the complex generics, injectable, nasal

what are the forms you are working on?

Anant Atal: The injectables and I guess that is linked to the oncology area and I think there is some in

ophthalmology and largely respiratory and then we will have the existing ones we have

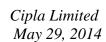
already filed is more of anti-infectives and small molecule kind of generic.

Anubhav Agarwal: So just when you mentioned about two-pronged strategy in the US once you have your own

trade license would you continue to partner even then as well?

Anant Atal: Yes we will. I think it will be a proactive, think of it as we have got finite resources and as

we look at our portfolio we need to decide where we need to invest. There will be certain opportunities where we have capability but may not necessarily have the resources and to take the risk into consideration we will look for the partner and we may even partner in certain





respiratory areas because the investment required is large and we will take our bets on which we want to go direct and which we want to partner.

V.S. Mani: Also there will be a couple of products where we already would have partnered with the

respective party so obviously those will definitely get launched under the partnership model.

Anubhav Agarwal: Just to understand it when you say investment required will be large what kind of investment

you are talking about here because this is the marketing partnership relationship only with

the partner?

Rajesh Garg: No but there can also be a co-development right.

Anubhav Agarwal: So you are saying that basically in any of the product if we have to run clinical trial possibly.

Rajesh Garg: Yes.

Anubhav Agarwal: And I have second question on your global access program which you mentioned under

international, how large is that business for you which is basically anti-malaria, anti-AIDS

and probably TB; I do not know whether you play in TB or not.

Rajesh Garg: About \$200 million.

Anubhav Agarwal: Total international is about close to \$500 million dollar business right.

Rajesh Garg: Correct.

Anubhav Agarwal: So just a question on this especially on the anti-malarial side which is the negotiation right

now which are going on WHO changing the procurement policy do you think that you will gain, certainly you will gain more volumes under the new contract, but the net impact to EBITDA from you will be positive or negative what I am trying to say is volumes will

increase for you perhaps in that.

V.S. Mani: First and foremost the numbers you are comparing when we say 200 million that is the

forward looking one and what you are looking at 500 was the previous year one so in that the

number is obviously much lower.

Anubhav Agarwal: Understood and related question I wanted to ask especially in the anti-malaria business I am

assuming out of \$200 million the anti-malaria and HIV will be large portion of this \$200

million, on anti-malaria business of the ongoing procurement changes I am assuming that you



Cipla Limited May 29, 2014

guys are well positioned to gain on volume but do we expect a significant impact on prices that your total EBITDA may remain same or may come down from that part of the business.

Rajesh Garg: I am assuming it should be stable if your question is that the increase in anti-malaria business

will it is result in decline in margins.

Anubhav Agarwal: In absolute EBITDA.

Rajesh Garg: In absolute EBITDA or margin.

Anubhav Agarwal: In absolute EBITDA; margins, I am of course assuming will go down because there will be

pricing pressure.

Rajesh Garg: Not in absolute EBITDA not at all and overall see, we are managing a basket. We are

managing the portfolio quite stringently. We are looking at our tail products, we are looking at the mix so I think overall we are cognizant of this growing share through the global access

programs but that is the balancing act we are on to try to manage it.

Moderator: Thank you. Next question is from the line of Rahul Sharma from Karvy Stock Broking. Please

go ahead.

Rahul Sharma: Sir in your investor presentation I just wanted to get clarity whether the numbers which are

there are they standalone or is it consolidated revenues which are there?

Rajesh Garg: If you look at the first two pages of the investor deck that we have put up, we have shown

standalone and consolidated numbers. So if you look at pages three and four there is standalone and there is consolidated but when we have presented for the individual regions

they are effectively consolidated their own numbers.

Rahul Sharma: It is consolidated Cipla numbers which is there for international business particularly.

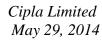
Rajesh Garg: For international it is consolidated but if you look at the South Africa number which is the

610 going to 774 that is like-to-like so that is the consolidated number will be high.

Rahul Sharma: What would be the consolidated numbers sir?

Anant Atal: 13.5% of overall sales; about 1300 Crores of sales.

Rahul Sharma: 1300 Crores.





Rajesh Garg: Close to that.

Rahul Sharma: Sir what about North America and Europe sir?

Rajesh Garg: Right we have shown 740 Crores for North America and 578 Crores for Europe.

Rahul Sharma: 740 Crores and 578 Crores.

Rajesh Garg: You have the document with you.

Rahul Sharma: Is that consolidated revenue sir?

Rajesh Garg: Yes.

Rahul Sharma: Sir just wanted to get clarity on the European front when are we going to start off on the

respiratory launches which are going to come in sir especially the ones which have been

talked about for some time?

Rajesh Garg: You are talking about the combination inhaler; we are looking at towards the second half of

this year 2014-15 in Europe somewhere between two to three markets of the bigger Western

European markets where we are looking to launch.

Rahul Sharma: What would be the market size of that sir?

Anant Atal: It will be over a billion Euros.

Rahul Sharma: But in Europe, are there no pending litigation issues which would come in you all are hoping

that it will be resolved by the time.

Rajesh Garg: No there are not, it is not a litigation issue.

Rahul Sharma: Sir in US we are looking at 15–20 launches is it also from the basket which we have already

got from our partners or it will be new launches totally and the flavor of launches which could

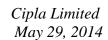
be there.

Rajesh Garg: It will be a combination of both; so may be the initial launches will be from the old basket

and then as additional approvals come we will look to launch those and put that in the basket.

Moderator: Thank you. Next question is from the line of Manoj Garg from DSP Merrill Lynch. Please go

ahead.





Manoj Garg:

Thanks for taking my question again. Anant like basically while we are talking about European market are we only looking from a respiratory stand point of view or we also have other filing which we have made in Europe.

Anant Atal:

No absolutely if you have a lot of other filings I think most people are interested in the respiratory but I think that is a great question because we do have a very diversified product portfolio there so I think there is stuff in oncology which is kind of hit the market, it is a broad diversified portfolio, respiratory is naturally of interest but it is a multiproduct basket.

Manoj Garg:

For last two three quarters we have been talking about that the largest part of organization buildup has almost been completed and probably we will see employee cost getting stabilizing in around these levels but if you look at quarter-after-quarter in the last three quarters the cost have kept and going up. So I just wanted to understand whether like this quarter four would be a more of a basic number or you may further see increase in the employee cost.

Anant Atal:

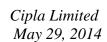
I think clearly there will be the full year impact of that but we have reached some level of steady state in terms of the organization build and now it is the time for leveraging that and which is why margins will also show an improvement.

Manoj Garg:

And the last question from my side sir like on Africa part we have indicated that probably the idea of acquiring Cipla Medpro is to look at an African kind of market so have we started entering into other markets over like what is the strategy going forward out there.

Anant Atal:

Clearly both South Africa as well as Uganda help with their adjacent markets and I think there are plans to start leveraging that. Clearly for North Africa and Sub-Saharan Africa, some of our plans are being enhanced because of not only our presence in Uganda and having a WHO approved site there but also some of the team members & some of the senior staff which came with the acquisition is African local and that really helps us go and talk to governments around that region and South Africa. Of course, first they are trying to get their house in order because opportunity within South Africa is much larger but there are plans to now start extending. They were already covering the adjacent countries but now there will be an increased focus because we clearly see that as the virgin space for us to use our excellent team which is always rated as the best sales and marketing team in South Africa with the highest productivity across all teams; so we are very confident that they should help us anchor our total Africa strategy.





Rajesh Garg: But I think the first priority is to build the robust prints in South Africa and to continue to get

closer to that number two position and then from a bandwidth point of view what are my extra

plans which would then be used for the adjoining geographies.

Manoj Garg: Mr. Garg knowing the fact that there is lot of volatility in the currency and obviously rupee

has been appreciating last few days is there any change in strategy in terms of hedging or we

still continue to remain open for most part.

V S Mani: No actually in a way if you look at it, we are proactively hedged a little more but even in the

past we always ensured that our hedges were in excess of at least \$200 million each time.

Manoj Garg: So what is the kind of outstanding now sir.

V S Mani: Current it is about 270.

Moderator: Thank you. Next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please

go ahead.

Chirag Dagli: Thank you for the follow up. Mr. Mani this difference if I look at the consolidated financials

the net profit of 272.38 Crores and the standalone number the difference between that is

because of Medpro, is it correct?

V.S. Mani: So the difference is basically not just Medpro obviously we have our other subsidiaries and

there are associates as well.

Chirag Dagli: No sir I am looking at the net profit number before the share of associates and minority

interest which is 272.38 Crores number compared to 276.64 Crores in the standalone.

V.S. Mani: That will also have even our subsidiaries and not just the associates. Even our subsidiaries

that we have in India as well as QCIL, so all that will come in there.

Chirag Dagli: So this 4 Crores loss is not just related to Medpro.

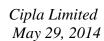
V.S. Mani: No Medpro at an operating level has done quite okay.

Chirag Dagli: No I understand sir but at a net level which is why I am looking at it at a PAT level at the

PAT level would Medpro have been accretive or not.

V.S. Mani: Medpro has not been accretive to this but obviously in the sense it is quite stable compared

to last year.





Chirag Dagli: Why is the minority interest increasing sir?

V.S. Mani: Obviously now that we have acquired QCIL as well so the minority interest will increase.

Chirag Dagli: It is only because of that? okay fair point and sir if one were to look at these four five

geographies that you sort of broken sales into if I were to look at margin would it be safe to say that India will be the highest margin followed by South Africa given that both these would

be branded generic markets.

V.S. Mani: North America probably has the highest margin and you see that across the industry right.

Chirag Dagli: So North America followed by.

Anant Atal: I do not think we are going to get into ranking of it but North America is the most profitable

market for us albeit on a smaller base and I think the idea is to have more markets as close as

possible to give us blended average.

Chirag Dagli: At the EBITDA level basis.

V.S. Mani: Yes.

Chirag Dagli: Sir last question there was some mention of a Forex loss related to Medpro of 65 Crores due

to Rand depreciation?

V.S. Mani: Yes.

Chirag Dagli: Is this for the fourth quarter right sir?

V.S. Mani: No this for the full year.

Moderator: Thank you. As that was the last question from the participants I would now like to hand over

the floor back to management for their closing remarks. Over to you sir.

Rajesh Garg: Thanks very much. Excellent questions. I hope we were able to come back to you in a

meaningful way but just to close out I think we are very excited with being at the mid-point of our two year 360 degree transformation in pretty much every aspect of the business the whole value chain from R&D transformation to manufacturing transformation, procurement transformation and then several of the other support function and then going up to sales and marketing I think we stand well poised to deliver our strong sales and profit growth and as I said mid teens topline and margin level similar to last year but in particular a strong cash flow



Cipla Limited May 29, 2014

as well. We still believe there is a room for us to optimize our overall cash conversion cycle.

Anything else Anant or Mani you would like to add.

Anant Atal: Thank you and if you have additional queries you do reach out to us.

Moderator: Thank you all. Thank you sir. On behalf of Kotak Securities Limited that concludes this

conference call. Thank you for joining us and you may now disconnect your lines.