



## “Strides Arcolab’s Q3 CY10 Post Results Conference Call”

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**Moderator** Ladies and gentlemen good day and welcome to the Q3 CY10 results conference call of Strides hosted by IDFC Securities Limited. As the remainder for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing \* and then 0 on your touch tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Nitin Agarwal of IDFC Securities, thank you and over to you sir.

**Nitin Agarwal** Hi, good morning everyone and a very warm welcome to Strides Arcolab's Q3 CY10 post results conference call. On the call today we have from Strides, Mr. Arun Kumar, Vice Chairmen and Managing Director and his team. I request Arun to take the call forward, go ahead Arun.

**Arun Kumar** Thank you Nitin for hosting us today and thank you all participants for joining in. I have with me my colleagues, Rangan who is our Group CFO, Venkat Iyer who is our CEO, Operations of our Sterile Business and assisting us in this call would also be Ajay Singh, who handles Analysts and Investor Relations. I am more than happy to start. Nitin do you want me to give a quick overview of the results.

**Nitin Agarwal** Yes, that will be helpful Arun and then we can open up the question and answer.

**Arun Kumar** Sure, okay. We had a fairly strong performance for Q3, our top-line is in line with our guidance and our EBITDA growth is a little ahead of our guidance. We had continued strong growth in our specialties business with lesser licensing income and larger operating income, supported by new product launches in the U.S. that we have now commenced.

We had a milestone in terms of our 50th ANDA approved, 31 of our ANDAs are approved by the USFDA all in the sterile space. We had strong filings, we had 16 filings in this year and we have another strong quarter filings, we expect our filings to reach between 30 to 35 products for the year. We also commenced strong operating, regulatory filings in European markets, we have 16 filings in Europe, all in sterile.

We continue to introduce a lot of new products in various other markets and I am also pleased to let you know that our first product launch on the Pfizer partnership will commence in Q4 of 2010 as guided when we announced the deal with Pfizer. During the year, we continued to deliver strong performances in our generic branded business especially in our Australasian operations, those businesses are doing extremely well. We also had 2% ahead of guidance EBITDA, like I said combination of licensing income and strong operating numbers. In terms of other events, we had a successful QIP through which we raised \$100 million and we also successfully placed our PE investors, Zenith Pharmaceuticals shares, who have invested with

us for over 10 years. As the consequence, we have a fairly large number of international and domestic investors staying invested in the company. That is in terms of an introduction Nitin and I am more than happy to take questions.

**Moderator** Thank you very much sir. The first question is from Bikram Mahajan from Bay Capital, please go ahead.

**Bikram Mahajan** Hi, this is Nikunj Joshi here. I just wanted to understand I think one of the constraints that we face was capacity because one of our new plant was not approved by USFDA, so what is the status on that.

**Arun Kumar** As started, the new plant is yet to be approved by the FDA. The FDA inspection is awaited just for clarity. The new complex is in Bangalore, has been already approved in the last 6 months by all key global regulatory agencies mainly the European authorities, the Australian authorities and as a consequence the Canadian authorities automatically approved the facility and also the Brazilian agencies have approved our plants. We are expecting the FDA inspection to happen in this quarter. The heartening news for us here is that in the last 10 days, two of our key API vendors have been notified of inspection with our files in reference, which effectively means that the inspection of the Strides facility is eminent and it is just a matter of time. So, having said that, we also introduce new products from our existing facilities as we were able to maximize our operations by additional working hours and shifts and improving the optimization of our existing lines, so one of the reasons why we had a stronger Q3 from an operational standpoint was our existing plant is still delivering more than planned.

**Bikram Mahajan** Okay yes, thank you.

**Moderator** Thank you. The next question is from Kiran Chedda from Value Quest Research, please go ahead.

**Kiran Chedda** I wanted to know the details of the milestone payments received during this quarter and previous two quarters?

**Arun Kumar** Well our press release mentions that our total YTD licensing income so far is Rs. 267 Crores, the licensing income for the quarter was Rs. 47 Crores.

**Kiran Chedda** Sir what are the expectations for this next quarter.

**Arun Kumar** Well at Rs. 267 crores, it already meets our guided number of \$60 million, so there would be obviously additional licensing income but as you can see that the licensing income keeps tapering as bulk of the licensing was accounted for in H1.

**Kiran Chedda** So, we are not expecting anything in Q4 now?

- Arun Kumar** We do expect like I said, we are already at \$70 million of licensing income against the guided \$60 million. We will still have licensing income in Q4 and I think it will be almost in the same range as the Q3 numbers.
- Kiran Chedda** Okay, that is great. Sir what are the revenues from the Pfizer and GSK deals that we have for the quarter?
- Arun Kumar** Both the deals are when announced we mentioned that the products would be launched in Q4 of 2010 and bulk in 2011, I have already in my introduction confirmed that we will have product launches through Pfizer within this quarter.
- Kiran Chedda** Sir, is that actually dependent on the USFDA approval of the Bangalore plant?
- Arun Kumar** No, if we are already launching product this quarter, it means that we already have the product manufactured and it is already in the distribution chain. So, it is from our existing FDA approved plants.
- Kiran Chedda** Okay sir, one more question. If I check the quarterly sequential numbers, I find that the EBITDA and the sales, all have actually de-grown. Sales have de-grown and EBITDA also has degrown and so has the PAT, sir any special reason for this sir?
- TS Rangan** There is no degrowth. It is just a difference, like Arun talked earlier we recognized substantial portion of licensing income in H1, so that is one factor you need to understand and second one is, if you look at the reconciliation between EBITDA and PAT, the tax provision has gone up by Rs. 3 Crores and also Arun talked about the superior performance by Australasia because of that there is also the increased provision for minority interest if you compare with the previous quarter?
- Kiran Chedda** Okay but sir, I mean there is an FOREX change component and if we remove that the profit, the PAT is substantially lower, because in the last quarter, there is Q2 we do have a loss of Rs. 21 Crores in the exchange fluctuations and this quarter, there is a profit of Rs. 15 Crores, so if I take that off and I see that the profit is substantially lower than the Q2.
- TS Rangan** In the first H1, profits are mainly driven by the licensing income as I mentioned out of the Rs. 255 Crores of licensing income received for the first 9 months, almost Rs. 220 Crores was received in the first half of the year, first two quarters. Licensing income tends to be significantly more profitable than operating EBITDA. You look at the guided numbers that we gave in the beginning of the year then we are ahead of both those numbers and when we get licensing income, they are lumpy in nature and that is why you need to be guided by the numbers the company provided and based on those numbers, we are ahead of our guidance.

- Kiran Chedda** Yes, I appreciate that. Sir, when you declared these numbers, the licensing income is included in the gross sales figure, in the revenue figure right, it is not in the other income.
- TS Rangan** Yes, sorry just to add what Arun also said, the exceptional items has been fully nullified if you look at last quarter, there is a deferred tax write back of Rs. 16 Crores, we did not have any deferred tax write back this quarter, so I think it is for us to better understand the operational items. So Rs. 18 Crore is largely compensated by the deferred tax write off for Rs. 16 Crore last quarter, so sequential quarter.
- Kiran Chedda** Yes okay, so coming to my question, in the gross sales this revenue license income is included in the net the revenues or is it given?
- TS Rangan** Yes that is right. The Rs. 1,300 Crores of our revenues on a YTD basis includes Rs. 267 Crores of licensing income. Part of operations.
- Kiran Chedda** Okay sir. So then in that case then sir what is the other income sir. The Rs. 18 Crores that we have?
- TS Rangan** The other income is that basically it has two components, one is the distribution income received by our Australian subsidiary from Pfizer contract, second also is the another contract settlement baring that the advance we recognize as other income.
- Arun Kumar:** See probably you have missed the fact that the, we have also relationship with Pfizer in our Australian operations, so there was a certain amount of distribution fee that was available during the quarter which is being recognized as other income.
- Kiran Chedda** So, the same thing was in Q2 also, right.
- TS Rangan** Q2, it was not the same thing, I do not think Q2 we had, yes, but I think what you can do is to just send us an e-mail so that in the interest of other caller's time, we can give you more specifics.
- Kiran Chedda** Yes, okay sir thank you.
- Moderator** Thank you. The next question is from Ritesh Shah from IDFC Securities, please go ahead.
- Ritesh Shah** Yes, Sir basically wanted to check what is the outlook on the branded generics business in Australia and what would be the key drivers going forward?
- Arun Kumar** Well we are now the third largest generic player in the Australian market and we cover almost 13% of the generic market share. Sales has been very robust and we will end the year at slightly ahead of our guidance in our branded business, so we are looking at close to about \$140 odd million of sales in Australasia.

- Ritesh Shah** Okay and anything on orals business in the U.S., which you do under your pharma business.
- Arun Kumar** Yes, we have got our first soft gelatin product approved in last quarter for ergocalciferol, it is a very unique product as it was 100% market controlled by Teva. We have launched the product very successfully and that is one of the other reasons why pharma business EBITDA's have started looking up because of this particular product launch. It is niche product is a small molecule but we do not see too many players coming in that product.
- Ritesh Shah** What will be the market share we would have garnered?
- Arun Kumar** About 12% of market share we have got.
- Ritesh Shah** Okay and sir lastly I wanted to check on the sterile strategy EU, like you said you already have around 16 filings year to date, so what is your strategy going forward for the EU sterile?
- Arun Kumar** For the oncology business, we have a semi exclusive partnership with Pfizer, which does not prevent us from marketing the products ourselves, so these registrations will kind of meet the requirements of both Strides and Pfizer. In certain regions like the Nordic region, U.K., Poland, these markets we introduce the product ourselves, the rest of the markets we have partners, various partners but for the oncology the partner is again Pfizer. So in May, we expanded the relationship with Pfizer to include Europe also. So the European approvals are expected in Q1 to Q2 of next year because in Europe, the facilities are already approved and that will be a new added advantage in terms of the oncology business going forward.
- Ritesh Shah** Sir, that is it from my side, thanks a lot.
- Moderator** Thank you. The next question is from Rohita Sharma from Enam Securities, please go ahead.
- Rohita Sharma** I just two questions. On the EBITDA margins, I just wanted to know what is the reason for the EBITDA margin for your specialty business coming down on a Y-O-Y basis while the pharma business has seen a substantial improvement, so do you see this sustaining going forward? Apart from that what is the debt in your books and the average rate of interest?
- Arun Kumar** Rohita, first of all just at account of repeating, the specialty business includes licensing revenues. Licensing revenues come at very significant EBITDA, as obviously it is an R&D income and a large part of it is profitable.
- Rohita Sharma** Yes okay.
- Arun Kumar** And in H1, I have already booked Rs. 220 Crores of the Rs. 250 Crores.

- Rohita Sharma** Arun, I am actually talking about EBITDA margin on a Y-O-Y basis, so if we look at Q3 calendar year 2010 EBITDA that has been provided for the specialty business, it is 28%, while if we look at the EBITDA margin for the specialty business for the calendar year.
- Arun Kumar** Yes, I got your point, sorry, apology. In Y-O-Y, it was lead by the GSK deal which was announced and recognition of the licensing income at that time. So it was a fairly large single transaction with GSK which we announced at that time.
- Rohita Sharma** And if you could just tell me what was the component of the licensing income that time?
- Arun Kumar** We had \$12 million payment at that time.
- Rohita Sharma** Sir the component works out to roughly the same amount, I mean you have around Rs. 47 Crores ?
- Arun Kumar** Yes if work on the products have already been done, then a large part of it will go straight into EBITDA while if it is new products then we do not capitalize any of our expenses, right, so we write off our expenses.
- Rohita Sharma** Okay fine, and regarding the remaining business, the pharma business, you have seen a significant improvement.
- Arun Kumar** See one is strong performance in Australasia ahead of target and the pharmaceutical product launch in the U.S. for ergocalciferol has helped taking the increased margin.
- Rohita Sharma** Okay, so do you see this trend sustaining going forward also.
- Arun Kumar** Well yes, while there is a lot of focus on the specialties business, the fact is that we do have almost 15 or 16 oral products in the U.S. filings – including immunosuppressants which we just got approved, so yes it will be safe to say that there would be improved margins in the pharma business going forward too.
- Rohita Sharma** Okay fine.
- Arun Kumar** You see basically just for your benefit, Rohita, we mentioned that the licensing deal with Pfizer was very critical for Strides in terms of establishing, distribution and also credibility in our portfolio. Going forward the company has also advised investors that we will do very late stage licensing as we tend to make a higher economic benefit doing that. So you will see licensing income tapering while operating income increasing significantly going forward, so you know the licensing income delivers an average EBITDA of 50% and that is as those income reduce we will get to that more guided numbers of 21% and 22% although we are at 23.5% now.

- Rohita Sharma** Yes sure and I just wanted to know the consolidated debt in your books?
- Arun Kumar** No material movement than what it was published in June 2010. It is the same because the QIP benefits will only accrue this quarter.
- Rohita Sharma** Okay, fine yes that is it, thanks.
- Moderator** Thank you Ms. Rohita Sharma. The next question is from Amit Shah from Motilal Oswal Securities Limited, please go ahead.
- Amit Shah** Yes hi, congrats for good set of numbers. Sir, I just want to ask you couple of things, firstly, as you said the licensing income will taper off going forward, so for the next couple of years, what would be your guidance for licensing income?
- Arun Kumar** Sir, we cannot give you a guidance for the next couple of years. Basically what we do is we take a domain of products and then get into a licensing deal. And so in the oncology business, we have guided when we announced that deals with Pfizer and GSK that the company will receive about a \$100 million of licensing income and we stick to that guidance and that basically can happen over 1 to 2 years – a large part of it has already come this year, as you are aware. So we did mention that the revenue of \$60 million will continue but that is something which the company will take a call when it issues its new guidance for the next year because if operations are very strong as is currently being visible, then we would prefer a slightly later stage licensing for our other products. So there is continuous filing, for example if you look at our corporate presentation you will also see that we have about \$5 billion of products filed in the U.S. where we have not licensed to partners. So the later, we file we get a lot more economic value in the supply chain, you know in the supply of products.
- Amit Shah** Okay, got it, sir and now for base business specialty, when I say base business or base specialty business, it is excluding licensing income. How do you expect the revenue ramp up over a next 2 to 3 years, may be if you can give the guidance of how much?
- Arun Kumar** We cannot give you any guidance at this stage. You have to wait for our new guidance at the end of the year when we will announce our next year's guidance. A lot will also depend upon the timing of the FDA inspection of our facilities, as we have close to 50 products that are expected approval, once the new facility gets inspected. So we are not therefore in a position to give you an exact number today but or we can tell you is that the current base number will grow fairly significantly based on our existing manufacturing facilities, as we have many product approvals from our current approved facilities where we have capacities. For example, we have a penicillin plant, we have a cephalosporin plant, we have a dry powder injectable plant, where, product approvals are expected in the next couple of quarter where we have capacities and the facilities are already FDA approved.



- Amit Shah** Okay, sure sir and one more question on the \$115 million of outstanding payments for the financial commitments to Aspen – just want to ask how much of this \$115 million payable would reflect in goodwill and in net block or gross block?
- TS Rangan** Yes, 117 million will be pending consideration will not find anything in goodwill actually, currently we have shown it as a part of the current liability because it is payable within one year's time, 80 million for Onco transaction and 37 for Brazilian transaction but then this 37 we have already paid in October.
- Amit Shah** Okay.
- TS Rangan** Yes, and as far as the current block of the fixed assets is concerned that the onco-therapy that particular asset we have completely consolidated, it is already come in to my fixed assets. The Onco's facility, Brazilian facility which is valued close to about \$70 to \$75 million, we are waiting for the valuation, that will get into our books in the fourth quarter.
- Amit Shah** Sure, okay sir, thanks a lot.
- Moderator** Thank you. The next question is from Jesal Shah from JM Financial, please go ahead.
- Jesal Shah** Hi, just one question on the pharma business, how much of this growth that we have seen in the year-to-date so far would you see is organic?
- Arun Kumar** Everything is organic. We have not done any inorganic strategies in the pharma business in a long time.
- Jesal Shah** Right and as far as the U.S is concerned, I am not sure, did we say how many ANDAs we filed so far this year?
- Arun Kumar** In the pharma or in the specialty?
- Jesal Shah** You know in specialities.
- Arun Kumar** Total filings so far has been 15 and guidance for the quarter is another 12 or 13, so we will have close to about 30 filings by the end of the year.
- Jesal Shah** Right, and you know just a little bit on the specialities front, as we look at the increase in supplies to you know your partners as well as the product approvals that you are expecting for facilities which are already inspected. So can you talk a little bit about the addressable market sizes and you know what type of market shares would you be kind of looking at for the next let say 12 to 24 months.

- Arun Kumar** Jesal that is a fairly detailed question, I mean it is a short question but it requires a very detailed answer. I will be more than happy to send you the list of products which we have approval and the adjustable value of those products.
- Ajay Singh** The total approval which we have currently for all the sterile products, local market value of those products is close to \$1.4 billion.
- Arun Kumar:** But out of which what we have commercialized is close to about \$400 million, so what we have commercialized is close to about \$400 million, you know that our sterile business this year will be close to about little over 10% of that addressable value in the U.S.
- Jesal Shah** Right, okay thank you.
- Moderator** Thank you. The next question is from Rupesh Patel from TATA Asset Management, please go ahead.
- Rupesh Patel** All my questions have been answered.
- Moderator** Thank you. The next question from Mr. Manish Jain from Axis Holdings, please go ahead.
- Manish Jain** Essentially you mentioned about your ability to launch oncology drugs on your own in the US, what is the game plan there? by when do you see it launching on your own in the US?
- Arun Kumar** No, we did not say that we will be able to launch in the US on our own, Manish, we said that we can do that in Europe. Our deal with Pfizer is exclusive for US and semi-exclusive for the rest of the world. I mean rest of the regulated world and in Europe, we already have a front-ended business in Nordic regions where we have a company which we operate, so also the UK and in Poland as you are aware. So I was referring to the ability to market products on our own for the European market as you know it is a very fragmented market.
- Manish Jain** Yes, but it is still very large, so by when roughly would you be there targeting to get into that market?
- Arun Kumar** Yes but we will also do a lot more licensing deals because it does not restrict us with the number of players as you know Europe appeals to be catered to various players in geographically strong markets, so we will be having a sum of parts partnership program there but what we are doing today is doing DCP filings all our filings are DCP filings for all the 27 EU is there and then as the products get approved we get into either on distribution on local partnership or longer deal with Pfizer which obviously is a lot larger in size.
- Manish Jain** Excellent, thanks a lot and best of luck.
- Arun Kumar** Thank you Manish.

- Moderator** Thank you. We have a follow up question from Ritesh Shah from IDFC Securities, please go ahead.
- Ritesh Shah** Hi Arun, would you like to give any guidance on the number of sterile products you intent to launch in Q4 and CY11 in US and the corresponding market opportunity you would be catering to?
- Arun Kumar** We have launched five new products in Q3 and we will not be launching any additional products in Q4 because currently to meet the supply chain needs of the products launch, our capacities are fully booked. So we did launch five new products in the last four months.
- Ritesh Shah** Okay, so any additional further launches would be subject to USFDA approval?
- Arun Kumar** See like I said, we are expecting another five or six products approvals very soon from already existing FDA facilities. We only have a problem with our lypholisation and liquid vial capacity. We have three capacities for all other kinds of sterile injectables. So those three plants are already FDA approved, but product approvals are expected probably in the next 3 to 4 months, so that will improve the number of product launches even if the new complex takes more time which we do not think so.
- Ritesh Shah** Okay that is fine from my end.
- Moderator** Thank you. The next question is from Bhavin Shah from Dolat Capital, please go ahead.
- Bhavin Shah** Hi, Arun, I have just joined the call little bit late. I just wanted to know amongst the sterile portfolio products, how many of them are cumulatively approved and launched and what is the pending pipeline looking like?
- Arun Kumar** What you mean by cumulatively approved.
- Bhavin Shah** Within the deals that have been signed with GSK, Pfizer, etc, within the sterile portfolio, the one's which have got approved and launched and the one's which are pending approvals?
- Arun Kumar** Now, all the products that are being currently launched in the US are through the two joint ventures Strides' owns 51%. It is these two joint ventures have a combined revenue of close to about \$40 odd million and it now has a run rate of around \$14 to \$15 million with the new product launches that have been done in the last quarter. Since you joined the call late, I also announced that we will be launching our first products to Pfizer in this quarter. It will be at best, one or two products in this quarter and then the oncology basket obviously can be launched only after the FDA inspections come in.
- Bhavin Shah** Okay, so next year there is going to be a significant basket of products.

- Arun Kumar** Oncology products.
- Bhavin Shah** Oncology products, okay, thanks very much.
- Moderator** Thank you, the next question is from Hitesh Zaveri from Enam Asset Management, please go ahead.
- Amit** Hi, this is Amit here, actually just one question regarding the USFDA inspection you spoke about that this will be happening this particular quarter for our Bangalore facility. Just one clarification – is this the same facility what you, this is the mirror facility for our unit 1.
- Arun Kumar** Yes it is the 10X capacity of unit 1.
- Amit** And you mentioned that right now the products you are selling or commercialized have a market value of \$400 million, so post approval of this particular facility will you be able to address the whole size of \$1.4 billion?
- Arun Kumar** \$400 million products are being given attention to because most of these products are on auto subcontract with a very large GPO. So you cannot get into default situations with large buyers, so we are only servicing those contracts so that we have a high level of compliance on our supply chain and also we are building a strong relationship with one of the largest players in the US market who has got 16% of the market.
- Hitesh Zaveri** Okay and just one more question from my side. Who will be our competitors in this particular domain of sterile injections in India as well as on global level?
- Arun Kumar** Well as far as the Indian landscape is concerned, we are not aware of an Indian company which has the entire spectrum of injectables whereas companies like Orchid, which has been sold to Hospira and Aurobindo and Claris have parts of our business, we have the entire canvas of products. On a global basis, the largest players are Hospira and Fresenius Kabi, these are two very large players and of course Teva and Sandoz.
- Hitesh Zaveri** Okay, thank you, that is it from my side. Thank you.
- Moderator** Thank you. We have a follow up question from Mr. Amit Shah from Motilal Oswal Securities Limited, please go ahead.
- Amit Shah** Thanks for taking my question again. Sir just want to ask when you actually start supplying products in specialty to Pfizer, GSK and when the existing product supplies to a JV partners since US will ramp up, so I just want to understand excluding this licensing income, how would the EBITDA margins would look like on these product supplies?

- Arun Kumar** We do not give specific EBITDA margins on products but all I can tell you is that the specialty injectable business globally works on a very superior EBITDA and we do not see any reason why we will not be in that bracket, so the business works on EBITDAs in excess of between 22% and 30% for our competing landscape and that is where we think that the operating numbers will stay once we get ramp up on capacities.
- Amit Shah** Okay yes, that will be useful, thanks a lot.
- Moderator** Thank you. The next question is from Hitesh Mahida from Marwadi Shares, please go ahead.
- Hitesh Mahida** Yes, hi, congrats for good set of numbers. Couple of questions, tax rate has gone up significantly during the quarter, what is the reason for it?
- Ranga 36.07** Yes it is because, one is that we mentioned that our Australasian region performed very well where the tax rate significantly high, it is predominantly by other subsidiaries like Onco therapies and Onco laboratories, so it is a subsidiary incomes which are ramping up.
- Hitesh Mahida** Of the six approvals in Europe, how many are in sterile space?
- Arun Kumar** Of the six approvals in Europe, none of them are in sterile.
- Hitesh Mahida** Okay. Apart from Australasia, are there any geography which are growing in 20% plus range?
- Arun Kumar** All geographies are. India, Africa specialties business. Except the institutional business where because of pricing pressures we are not focusing. Growth has been very strong. India for example, has grown 40%, Australasia also, Europe has grown 50%, the JVs in US have grown 52%, so almost all businesses are ramping up. It is a 40% growth over last year, so obviously more divisions are doing well.
- Hitesh Mahida** Okay, sir the other expense has come down sequentially quarter-on-quarter, what has been the reason for it?
- TS Rangan** We will get back actually, there is no very specific answer to that.
- Hitesh Mahida** Okay. Of the \$100 million of licensing income guidance which we had given earlier, we are expecting almost \$70 million this year itself?
- Arun Kumar** Our guidance was for receiving \$100 million of cash when we do deal on the oncology business. We also guided that we will be recognizing around \$60 odd million this year, we are a little ahead of that as you rightly said we are already at 70 million. Do not forget that we also have licensing income from our pharmaceutical business.

- Hitesh Mahida** Okay sir, this includes both of them, so we are expecting say around \$40 to \$50 million further licensing income from the sterile space.
- TS Rangan** Depends, yes you have to do your maths. Overtime we should get that.
- Hitesh Mahida** What is the current debt and cash position after the QIP?
- TS Rangan** Yes, we said that there is no change in debt. We are talking about September 30, 2010, there is no significant change, QIP happened only in the first week of October.
- Hitesh Mahida** So as of now there is no change?
- TS Rangan** Yes, but we have plans... like for example we said that we are looking at restructuring and also to reduce the interest cost. We will be carrying it out.
- Hitesh Mahida** Okay and if your acquisition of the remaining 43% stake in Aspen Pharma. Is it on?
- Arun Kumar** Yes, it is still ongoing, there are lot of regulatory processes that the company is currently undertaking and we are not yet in a position to make a firm announcement. Like we said it is a subject to contract privatization offer, so we are still working on it. We will probably give you an update in a couple of weeks from now.
- Hitesh Mahida** Okay and you said that Pfizer will be launching couple of products during the quarter, can we know the names of these products.
- TS Rangan** No we do not disclose names, when the product is in the market place you will know automatically but we will at that time disclose.
- Hitesh Mahida** Can you give the market size?
- TS Rangan** Yes, it is a little over a billion dollars the first product that has been launched this year.
- Hitesh Mahida** Okay, that is it from my side, thanks a lot.
- Moderator** Thank you. We have a follow up question from Amit Shah from Motilal Oswal Securities Limited, please go ahead.
- Amit Shah** Hi, thanks, just Arun on a vertical integration as a strategy, would Strides enter into API manufacturing going forward or it will continue to source API from the third party because as I understand players were vertically integrated are in a better position, so what are your comments on the same?

- Arun Kumar** Which is global sterile player which is vertically integrated. There is not any except Tava. In the sterile business, I am not suggesting that it is not important, your question is important. At the moment API cost forms a very small part of the specialties business. It has a lot to do with regulatory compliance, quality cost and the hardware you know in terms of CAPEX cost and infrastructure. But as products become very critical and as we get into more and more technologies, it will be definitely something which Strides will look at but at this moment in time, we have a highly de-risked API sourcing strategy which kind of mitigates any risks of us not being vertically integrated.
- Amit Shah** Okay, sure sir, thanks a lot.
- Arun Kumar** Yes.
- Moderator** Thank you. Ladies and gentleman, that was the last question, I would now like to handover the conference back to Mr. Nitin Agarwal for closing comments.
- Nitin Agarwal** Thanks everyone for taking time out and thank you for this entire Strides Management team for participating in the call.
- Arun Kumar** Pleasure Nitin. Thank you for having us.
- Nitin Agarwal** Thank you very much.
- Arun Kumar** Thank bye-bye, good day.
- Moderator** Thank you very much. On behalf of IDFC Securities Limited that concludes this conference call, thank you for joining us and you may now disconnect your line.