



“Strides Arcolab Limited Q1 CY11 Results Conference Call”

April 25, 2011



MODERATORS: **MR. ARUN KUMAR - VICE CHAIRMAN AND MANAGING DIRECTOR, STRIDES ARCOLABS LIMITED.**
MR. T. S. RANGAN – GROUP CFO
MR. AJAY SINGH – VICE PRESIDENT, INVESTOR RELATIONS. STRIDES ARCOLAB
MR. NITIN AGARWAL – ANALYST, IDFC SECURITIES

Moderator

Ladies and gentlemen good day and welcome to the Q1CY11 results conference call of Strides Arcolab hosted by IDFC Securities Limited. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you 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. I would now like to hand the conference over to Mr. Nitin Agarwal from IDFC Securities, thank you and over to you sir.

Nitin Agarwal

Hi good afternoon everyone and a very warm welcome to Strides Arcolabs Q1CY11 post results conference call. On the call today we have representing Strides Arcolabs Mr. Arun Kumar – Vice Chairman and Managing Director and Mr. T. S. Rangan – Group CFO. I hand over the call to them to take it forward, please go ahead sir.

Arun Kumar

Thank you Nitin for hosting us this time. Thank you all for joining into this earnings call. My name is Arun Kumar and I have with me my colleagues Rangan, Ajay Singh Kannan and . Badree and Tripti supporting us in this call. Before I start let me just give you a quick overview of our Q1 results:

We believe we have delivered in line with guidance a strong performance for the year reporting sales of Rs.498 crores which is a 31% growth over the previous year and an EBITDA of Rs.102 crores with 19% growth over the previous year. Important points for this quarter are that we have had a strong growth in our specialty business obviously this is also aided by the fact that we have commenced consolidating our recently acquired Brazilian operations. Although it is great for the top line because Brazilian operations as we explained in the last earnings call, we have two parts of the Brazilian operations, the manufacturing part and the trading part. The trading part is the distribution with a company called Bio Chimico Chemical we announced at the time of acquisition that, that business, will incur losses during the whole year as we consolidate a newer strategy and that has been the case in this quarter too.

More heartening as of course that we have had us a large injectables facility being approved by the US FDA, which in these tiring regulatory framework has been a very hearty news for us and we have already commenced our exports into the North American market from that facility. We also have received our first product approvals for an oncology drug for Europe and we continued to be confident and guiding the market that we will receive our oncology approvals during H1 of this year for the US market which will then kick start a high value our oncology businesses sales into US.

Before I start specific with the numbers and take calls I want everybody to also be informed that we took an informed decision which was as per plan and within our guidance numbers of taking a major shutdown of our existing US FDA approved facility as it has been working for

the last three years 24x7 and we have to take managed shut downs. So, we took a seven week mandatory shutdown of our existing FDA approved site. Obviously we were quite confident of our audit process of our new facility and therefore we were moving products to our new plants so we have close to about two months of sales being impacted in our sterile plant during this quarter which has impacted our operations a little bit but well within our guidance as this was a planned event. That is the little overview and I am more than happy to take specific questions.

Moderator Thank you very much. The first question is from Hitesh Mahida from Marwadi Shares & Finance Limited, please go ahead.

Hitesh Mahida Why is the growth in the pharma business is flat during the quarter?

Arun Kumar Yes, we have had significantly low first quarter in our manufacturing business out of Bangalore and this was because we deferred certain institutional businesses as you are aware, this is high volume low margin business and we are conscious about our priorities and which is not really to get into the institutional business unless we make adequate margins, so we took some hits in turning down businesses which were not relevant. Having said that the business has bounced back and we are back on track with our normal steady number starting this quarter.

Hitesh Mahida Okay. Sir, why the interest cost not coming down, I mean compared to last year which was around 26 crores per quarter, it is gone up for almost 44 crores even after the QIP it has not come down?

Arun Kumar Yes, I am going to let my colleague Rangan to answer that question please.

T. S. Rangan Yes, it is appropriate as far as interest in concerned, you need to compare the sequential quarter. In Q4 we booked the interest of Rs. 45 crores and in the current quarter it is Rs. 43 crores, we have taken the necessary measures like last time we said that we are also repaying the high cost debt and replace some of the low cost debt. So, already you could see that about 20 million deduction in the interest cost because as far as interest is concerned may not be appropriate to compare with the previous year's first quarter. And we are confident that there will be significant reduction coming out in H2.

Hitesh Mahida Okay. During the quarter we have booked around \$25 million of licensing income so if you take cumulative of the last five quarter it has gone up to almost \$105 million.

Arun Kumar Yes, but there is no change in our guidance, we have guided the market that we will have licensing income of close to about Rs. 250 to 280 crores and it is a function of when we book our revenues, it is a function of when we transfer IPs to our partners, it is in function of accounting, so it is not an indication that our licensing income guidance at this stage would change.

- Hitesh Mahida** 250 to 280 this year, right?
- Arun Kumar** It will stay at that.
- Hitesh Mahida** Okay. But the EBITDA margin in the specialty business, even though the license income year-on-year has gone up from 83 to almost 112 crores, but the EBITDA margins have gone down, what has been the reason behind it?
- Arun Kumar** Yes, Hitesh when I opened I specifically mentioned two points, I will reiterate those two points. One is that we have guided the market that at the Brazilian front ended joint venture will continue to make losses but will breakeven before the end of this year, this is our first quarter, we have a specific target in the hospital's market in Brazil and that is an expensive front ended strategy so we are incurring cost which are not being capitalized and that is by design. Secondly, we took seven weeks shutdown in our main FDA approved site, because we were producing nonstop for three years and we had no other choice but to take that shutdown and that shutdown was planned and in line with our overall guidance. So, these two events, the Brazilian JV front ended losses will continue for another quarter or two at best and as far as the normal production from our current plant has already commenced from March and we are back on for a full quarter this quarter.
- Hitesh Mahida** How much sales and cost were booked from this Brazilian JV during the quarter?
- Arun Kumar** We have two parts to our Brazilian business one is a manufacturing business where we already guided the market that we always make profits and that is the case and the front ended JV is approximately we lost about 11 crores in this quarter.
- Hitesh Mahida** And no sales at all?
- Arun Kumar** There has been sales but the sale is-
- Hitesh Mahida** Negligible?
- Arun Kumar** No, it is about 40 crores with 11 crore loss.
- Hitesh Mahida** Okay, 11 crores loss. Okay thanks a lot.
- Moderator** Thank you. The next question is from Karthik Mehta from Daiwa Capital Markets, please go ahead.
- Karthik Mehta** In this quarter, if you guys can just throw some update on how have the two products that you have had an approval and same brand till 31st of March in terms of your overall visibilities sales because from a smaller plant we have now got Vancomycin a very, very larger plants if that has had any significant impact in this quarter or if we would done on a scale of 1 to 10, if

the impact was 3 for this 1.5 months, will it be 5-6 for this quarter? I am in particular talking only about actually vancomycin? Thanks.

Arun Kumar

Vancomycin, before we sold the IP of vancomycin from a joint venture Akorn-Strides to Pfizer, we had about 15% market share. Our run rate now is in the 23%, 25% market share as obviously somebody like Pfizer sells a lot more volume, so we expect to see full results of this starting from this quarter you will see that product adding significantly different numbers for our company. But do not also forget that while we are selling lesser volumes we also own 50% of the front end profits so the joint venture which we sold last year. So, in all a larger sales will still compensate for the loss of margins in the front end because we will do close to about \$20 million - \$25 million of sales on this product. Plus we are expecting an important additional approval on vancomycin files during the close of this quarter, which will add up to sales and volumes. But to answer your specific questions we are now able to meet the entire shortages of this product in the US market, this product is now no more in the shortage list. We have got \$40 odd million sale in the US which we are expecting approval during the course of this quarter which will give us an additional sales on the products.

Karthik Mehta

So, by that Akorn sale to the new partner if my understanding is right, we would not have that profit share but we will be compensated by additional thing?

Arun Kumar

That volume has already been reflecting in the number of units that we are already dispatching to the US, so significantly more than what we use to do last year?

Karthik Mehta

Yes. In terms of your overall sales number if we look at the specialties from our sales, can it be viewed that your EBITDA margin for the overall business is now lower because the contribution of the pharma business is low but you just mentioned in the opening remarks that some of the tender based business, which would have been of a lower EBITDA margin to you if that has actually gone down then why should the EBITDA margin of the pharma business be only about 11%?

Arun Kumar

Well Karthik probably you are missing our guidance, our guidance document says that our pharma business will have an EBITDA of 12%, we are 100 basis point below that guidance and as already communicated while I was answering Hitesh's question that we are back to a normal quarter this quarter and we will get back to our guided EBITDA numbers of 12%, so we have always guided that the pharma business is only 12% and the overall business is 20% to 21% with our injectables business including licensing income being in the range of 28%.

Karthik Mehta

Yes, so then in that case if the lower percentage of our EBITDA margin contributor in the pharma business is actually not done well in this quarter, should not we have been at least actually mathematically higher than what we guided because the sales are low due to the reasons that we seem to have deferred some of the tender businesses.

- Arun Kumar** No, but you are again missing my point in saying that we took a strategically pre-planned shutdown of the facility for seven weeks the operations in the steriles business, although we had reported a strong number and in line with guidance this particular quarter had a two month or seven weeks when the plant was not operating and whereas we incurred all the cost.
- Karthik Mehta** And if you can share the total debt on a consolidated basis including the FCCB's outstanding that was there on 31st March 2011?
- T. S. Rangan** Debt is similar to what we closed 31st December, December was about Rs. 20,098 **million** now it is Rs. 21,377 million, the increase is due to working capital, you know that we are growing 31% obviously that we have increased the enhanced working capital otherwise, it is in line with 31st December, there is no significant moment in debt.
- Karthik Mehta** Thank you.
- Moderator** Thank you. The next question is from Ashwini Desai from Bajaj Insurance, please go ahead.
- Ashwini Desai** How much of licensing income have we booked in the specialties and how much in pharma and what is it for 1QCY10 as well?
- Arun Kumar** We do not give specific P&L splits, all we can say is that we get licensing income through both our P&Ls in specialty and pharma with skew being in favor of specialties, obviously that is our focus but we do not give specific splits. And the second question is about-
- Ashwini Desai** Sir, also I wanted the breakup-?
- Arun Kumar** See, we do not give the breakup, our total licensing income in CY10 was-
- Ashwini Desai** **18 (17.14)** crores I think.
- T. S. Rangan** No, that is only for the Q1.
- Ashwini Desai** Q1 I need, that is okay and my second question is in the specialties this quarter you booked sales on account of Brazilian front end operation of 40 crores and anything on the manufacturing side, how much have you booked
- Arun Kumar** That was approximately 22 crores with an EBITDA of over 25%.
- Ashwini Desai** 25% okay and in the pharma business, can we look at a quarterly run rate of 260 odd crores, is that much you are comfortable with?
- Arun Kumar** We will meet our guidance of 1200 crore, so the run rate has to increase slightly more than what it is this quarter.

- Ashwini Desai** Thank you.
- Moderator** Thank you. The next question is from Amit Shah from Motilal Oswal Securities Limited, please go ahead.
- Amit Shah** Out of the 35 approvals you have received for the specialty business in USA, you said 10 products have been already commercialized, so I just want to ask that all these 10 products are transferred to new facility?
- Arun Kumar** No, the 10 are currently being serviced from the existing facility and the other products that are approved are in the process of being transferred to the new facility.
- Amit Shah** Okay and sir these all products are off-patent products, all 35 approvals?
- Arun Kumar** There is only one which is a tentative to approval, where we can only launch in 2012.
- Amit Shah** Right and sir when you do expect this 34 products to be launched, do you expect in this current year?
- Arun Kumar** Yes, all products, now that the plant is approved we expect all products to be authorized by the agency to be transferred to the new facility?
- Amit Shah** Right and sir what is the LMV of these 35 approved products as of debt, addressable market size?
- Arun Kumar** It is about \$750 million.
- Moderator** Thank you. The next question is from Bhavan Choudhary from Indianivesh, please go ahead.
- Bhavan Choudhary** Sir, actually my question is from Australian side, can you give me the flavor of your Australian business, please.
- Arun Kumar** Yes, our Australian business is a branded generic business, we are the fourth largest generic company in Australia and the only independent pharmaceutical company. We had sales of close to about \$95 million last year and it is growing at around 15% to 20% and this quarter it reported a very strong performance of around \$38 million in sales.
- Bhavan Choudhary** Sir, 15%, 20% is a sustainable kind of growth in Australian business and earlier you said that you are growing faster than the Australian market, so?
- Arun Kumar** Well, it looks like because quarter-on-quarter we are growing and like I said we have reported \$38 million of sales this quarter against \$130 million of sales last year, we are \$38 million this year which is in the first quarter the growth is almost about 20%.

- Bhavan Choudhary** So, any particular reason is for this kind of strong growth?
- Arun Kumar** It is just more product approvals coming through and the fact that we are becoming a strong player, we are able to get more and more key accounts the Australian business grows, I mean in Australia the pharmacy chains are very important, negotiating points and we have been able to succeed getting into newer pharmacy chains. Our Australian business actually grew by 47% quarter-on-quarter, I mean corresponding compared to last quarter this year.
- Moderator** Thank you. The next question is from Hitesh Mahida from Marwadi Shares & Finance Limited, please go ahead.
- Hitesh Mahida** Just one query on the interest cost side. Will this 43 crores to 45 crores will be run rate during the course of the year or will it come down going forward?
- Arun Kumar** Yes, it will come down going forward that is what we said that from 45, we have brought down to 43 but then you will see the significant impact in Q3 and Q4.
- Hitesh Mahida** Okay by how much it will come down?
- Arun Kumar** Well, we had guided that the interest will be between 6% and 7% of sales, so it will actually come down from in absolute numbers compared to last year.
- Hitesh Mahida** Okay sir thanks a lot.
- Moderator** Thank you. The next question is from Jesal Shah from JM Financial please go ahead.
- Krishna Prasad** In terms of filings, if you can help us with the number of filings in planned in the US for the year?
- Arun Kumar** Well, our total filings including our pharma division is approximately 35 products and, almost 30 of them will be in specialties.
- Krishna Prasad** You mean you would be filing for 35 products through this year?
- Arun Kumar** Yes.
- Krishna Prasad** Right, just another question on some of the launches that have been planned. If you can help us with the competitive landscape for these products in the US?
- Arun Kumar** Well, when you mean competitive landscape you are probably aware that there are not more than three to four players for products in the US market. Currently, one or two of them are having issues from a regulatory framework and that is why you are seeing most of the products that we have approvals in the shortage list. Typically we believe that in every product

we launched we get the between 15% and 25%, if you look at IMS data our market share range is from 15% to 25% in most products and those, I think we will continue maintaining those kind of market shares. So, the landscape is favorable from that perspective because there is a lot of churn of manufacturing capacities which means that larger players are focusing only on the big ticket products and our portfolio of smaller products and niche products are actually proving to be beneficial from a company's standpoint.

Krishna Prasad Right, just the shutdown that you were talking about, if I look at your specialty sales in the fourth quarter, there is actually a fall in speciality sales and then you will come back to about doing 125 crores this quarter and was there any impact during the previous quarter or are we missing something here?

Arun Kumar Are you talking about numbers with licensing without licensing?

Krishna Prasad I mean without licensing.

Arun Kumar No, the numbers have actually gone up, so even in this quarter.

T. S. Rangan In this quarter we did consolidate the Brazilian business.

Arun Kumar Yes and obviously we had the Brazilian consolidation this quarter, so our numbers have actually gone up that is what we have reported.

Krishna Prasad Right, okay thank you.

Moderator Thank you. The next question is from Bhavin Shah from Dolat Capital, please go ahead.

Bhavin Shah Would it be correct to look at the operating profit consolidate level considering both the front end and the manufacturing aspect of Brazil operations in totality or just to say that the impact gets neutralized when we take both of them together so we should look at it distinctly?

Arun Kumar I think it will neutralize when you take both together, so the Brazilian operations breaks even already if we combine the two but overtime, we believe both operations will start delivering positive results.

Bhavin Shah Okay sir and lastly any update on how is the R&D progress moving at Inbiopro.

Arun Kumar We are on track, our clinicals, we will have our first product going through clinicals within this year and that will be a global first phase study of our key product and it is on track.

Bhavin Shah Lovely and the execution of these 25 products, I think a meaningful top line incremental growth would come in the second half?

- Arun Kumar** Yes, as guided.
- Bhavin Shah** Yes and the oncology block approval are you expecting sometime by the end of this year?
- Arun Kumar** We guided that we would have oncology approvals by end of H1, we do not see any reason to change that guidance at all.
- Bhavin Shah** Thanks so much. All the best.
- Moderator** Thank you. The next question is from Karthik Mehta from Daiwa Capital Markets, please go ahead.
- Karthik Mehta** **If you can just share whether carboplatin has been now sold in or is it now being in the process to be sold to-?**
- Arun Kumar** Karthik just that you understand that process of regulatory approvals in Europe we get what is called DCP approval, the Decentralized Process, which we have got last quarter, although Europe approves our product as one United Nation in effect we need what is then called a national filling process because each country has a different metrics. That takes anywhere from less than 30 days to as high as six months in various markets, so it is fair to say that our first launch will happen towards the end of Q2 or early Q3. So, after product is approved by the DCP process it typically takes any company between three to four months to be having a meaningful sale in all markets.
- Karthik Mehta** Yes and this will be from the new plant right?
- Arun Kumar** Yes. We are already getting geared for launch exercises but I think sales will happen hopefully towards the end of the quarter or the early part of Q3.
- Karthik Mehta** Fair enough and would it be fair to assume that first we look at two – three very large markets or is it that we are only looking at those markets where the priority of the partner
- Arun Kumar** As far as the regulatory process is concerned, most products in Europe by Strides goes to the EU 27 process that is all 27 countries, because it just makes it a lot more valuable from a processing and regulatory framework, but launch typically happens country-by-country and some countries go through like UK goes through an NHS **standing** in process for hospital products. So, it depends on country-to-country and I think typically post approval we will see our products in all the 27 countries and can take as much as a year to get there, but we will take larger markets as an early entrant strategy and then go to the smaller markets.
- Karthik Mehta** And what is the addressable size in the EU that you see, say in the next two quarters or as you said early?

- Arun Kumar** We are expecting 20 approvals this year in Europe with an addressable value of around €3.5 billion that is the number of approvals that we will expect and all of them or most of them are in oncology. **Karthik Mehta** And most of this is on terms similar to Pfizer or is it on terms which are individually for particular-?
- Arun Kumar** Our relationship with Pfizer for Europe is semi-exclusive so we also work with other partners. So it's a mix of the two and it depends on country-to-country in certain markets we frontend ourselves like in a Norwegian market or the Nordic region, UK, Poland, we frontend ourselves. So it's a mix, it's some of parts story that we are approaching in Europe. But yes, Pfizer is a key part even in our European strategy.
- Karthik Mehta** The total debt, does it include some money that is actually due to may be Aspen.
- Arun Kumar** We have completed the obligation, we have met all of them.
- Karthik Mehta** So then I think you told me the total gross debt.
- Arun Kumar** Yeah, including working capital.
- Karthik Mehta** I am sorry is it possible to share the net debt or if I can take it off line?
- Arun Kumar** Yeah, you could do that later.
- Karthik Mehta** Yeah. And finally in terms of the depreciation, etc., as we go ahead will the run rate of depreciation be higher than what it is now as you use more capacity, how do you guys have arrived at this number? Is it assuming the whole of the new unit or actually will it increase as we get more approval?
- Management** No, depreciation is based on the value of the asset. It's a very standard practice it's useful life of the asset. 18 crores is after consolidating our compose assets in Brazil that is why you see the run rate is moved from 15 to 18. So the run rate will continue to be the same as long as our capital expenditure is significant. Also there is no deferred expenditure or it's not linked to any capacity, it is linked to the value of the asset what has been capitalicious for our balance sheet.
- So that in sum the 18 crores run rate is a good number for you to do your modelling..
- Management** Yes, yeah.
- Karthik Mehta** Yeah, and in the overall interest cost last quarter you had what percentage?
- Arun Kumar** We have given that.

- Karthik Mehta** Yeah. But in that actually there is a footnote that there is some amount of expense since you actually have IFRS accounting?
- Arun Kumar** A non-cash is there every quarter and I will just ask Rangan to explain that to you and that is the continuing process.
- Karthik Mehta** But there is no footnote, so can you actually let me quantify that because then actually that is only IFRS thing. It is not cash expenditure, so.
- T. S. Rangan** So actually your point is agreed, but you are aware of it that consistent policy to account for widely more for FCCB so there is closed to about 3 crores on account of FCCB, the non-cash interest. So from a 43 you can reduce another 3 crores, 40 crores. But what we are looking at is in line with the guidance we are also sincerely and very diligently working in terms of understanding the interest rates and trying to reduce.
- Karthik Mehta** Okay. Thank you.
- Moderator** Thank you. The next question is from Ashi Anand from Kotak India Focus Fund, please go ahead.
- Ashi Anand** Arun the first question is the 35 approvals that we currently have where we are going to be transferring these to the newer facility, could you give some kind of timelines in terms of how long these transfers will take and by the end of CY11, how many of these you actually seen launched in the US market?
- Arun Kumar** Including product that are slated for approval this year we believe that we would have had at least 50 products being commercialized in 2011. This will include all the 25 products that are currently not marketed because of the capacity constraints. The process can take as little as 30 days to as high as 120 days, that's a max.
- Ashi Anand** So 30 to 120 days is the period.
- Arun Kumar** That's right, depending upon the type of variations that we are seeking. If there are no changes in the variations then it's about 30 days and there are changes in variation then we have to do a three months stability, for example if you take much significantly larger batch size and stuff like that. So between yeah so we believe that by end of the year, we would have had very strong, we would have had every product being commercialized which is approved and all the new products obviously will come from the new facility so they will go instantly for commercialization. And of course this doesn't include the oncology products that we expect to flow in.
- Ashi Anand** Okay, 50 products not including oncology.

- Arun Kumar** Yeah.
- Ashi Anand** Okay. And sir what I understand from previous conversation since you were expecting this approval and you had to do the site transfers I am assuming whatever background work we had to have done before we actually need these application for the transfers.
- Arun Kumar** Right.
- Ashi Anand** All of those have been done so the transfer?
- Arun Kumar** And that is why we were little weary of our last press releases because actually we got the transfer approvals prior to the plant approval.
- Ashi Anand** Okay.
- Arun Kumar** So we announced the transfer approvals of two products prior to us getting our facility approvals. So without having done the backup work we would not have got those approvals.
- Ashi Anand** Just one quick question on the pharma business, you had mentioned that we have deferred certain large volume institutional business because the margins were low and you also subsequently mentioned that this business is now bouncing back to normal, I just wanted to understand is the margins in institutional business bouncing back to normal or its other?
- Arun Kumar** It's like this basically what we did is that to say we are one of the few players in institutional businesses who are not integrated to the API manufacturing. So our competition is fully integrated from API to finish products. So obviously we are only competitive in certain select products and capabilities that we are strong and neither which is technology driven or capability driven like a soft gelatine capsule or something like that in our institutional business. But in the last two quarters we have shifted our API sourcing quite significantly to very competitive sources outside of India, which means that we worked with international companies got the FDI approvals and then we became this sole sponsor for these products. In return we got a very different price point for the APIs which now makes that business competitive and interesting for us to pursue. Since those approvals have just come to us this quarter and therefore we have gone back to the business and started taking businesses at margins which are now reasonable. So it's more a technical strategy which helped us pick up those businesses and had we committed in Q1, these are typically long term annual contracts. So we would have got stuck with vendor selection challenges and stuff like that.
- Ashi Anand** Okay, perfect. Just a few quick bookkeeping questions. You mentioned interest cost coming down significantly from the second half. I was just wondering would it be possible to give a guidance for debt levels expected by the end of the year?

- T. S. Rangan** Yeah, our debt-equity is 1.4 last year and this year we have met all our obligations, so we continue to give similar levels where we will be able to maintain 1.4-1.5 and you need to understand that the next year we have FCCB redemption of close to 120. So post that it will be better than even the benchmark rate.
- Ashi Anand** But basically by the end of the year we should continue the 1.4 kind of a level.
- Arun Kumar** Yes, absolutely.
- Ashi Anand** Excellent. And what's the CapEx plan for the current year?
- T. S. Rangan** 10 million, about \$10 million of maintenance CapEx.
- Ashi Anand** Okay. And just a last question, I just wanted to understand the certain shares which have been pledged just wanted to understand the rational for the pledges.
- Arun Kumar** Yeah, if the promoter pledges basically to fund some of our investments back into Strides as you know we have subscribed to warrants in the last two to three years every year. So obviously that's taken some cash and that's the reason why and it is nothing to do with that company is borrowing our activities.
- Ashi Anand** Okay. But these are personal pledges for investment of the company?
- Arun Kumar** Yes that is right.
- Ashi Anand** Thank you so much.
- Moderator** Thank you. The next question is from the Ashish Goyal SPA Capital, please go ahead.
- Ashish Goyal** Good evening sir. I just wanted to understand the Brazilian operations, it constitutes two parts, manufacturing which is acquired from Aspen and JV that we have generate this year and manufacturing contribution to top line was around 22 crores this year, right?
- Arun Kumar** First quarter yeah.
- Ashish Goyal** And that trading contribution or from the JV the contribution is 40 crores, right?
- Arun Kumar** Right.
- Ashish Goyal** In this quarter.
- Arun Kumar** Right.
- Ashi Anand** Okay. Thank you sir.

- Moderator** Thank you. The next question is from Krishna Kiran from ICICI Securities, please go ahead.
- Krishna Kiran** Sir just for a cross check we didn't file any ANDAs during the quarter right?
- Arun Kumar** That is right.
- Krishna Kiran** And we are planning to file 35 ANDAs during the quarter of which 30 will be specialties?
- Arun Kumar** Correct.
- Krishna Kiran** And sir one more thing. Sir regarding these, we are planning to launch 50 products. 50 products will be commisionalized during end of this year?
- Arun Kumar** Correct.
- Krishna Kiran** Sir under GSK deal we can expect this quarter product launch or already we have launched it under GSK?
- Arun Kumar** This quarter we will commercially launch products for GSK this quarter.
- Krishna Kiran** Okay thanks sir.
- Moderator** Thank you, the next question is from Aishwarya Deepak from Alchemy Capital. Please go ahead.
- Aishwarya Deepak** Sir I have two questions. First is, about your guidance. I wonder if you people are going to revise the guidance or it remains the same whatever you have given.
- Arun Kumar** We are not going to revise that downwards but at this moment in time we are not going to revise it upwards also. So, I mean, basically there is no change in guidance.
- Aishwarya Deepak** Okay. Next question for this calendar year 11 guidance, whether these oncology products are also part of that or its not?
- Arun Kumar** Yes it is, but like I explained to Karthik its going to take me at least towards the end of Q4. Although I have got regulatory approval, I have to get local each national approval. So from Q4 we will have a very significant run rate. So going out quarter in Q4 would give you a good reflection of what it will be in the next year.
- Aishwarya Deepak** So if I look at these oncology revenues, in the Q4 how I should look at that, I mean...
- Arun Kumar** We can only address it at that time.
- Aishwarya Deepak** Okay and is it possible to get the geographical revenue break up?

- Arun Kumar** Yeah sure, you can send us the mail and Ajay will respond to that. We can give it you.
- Aishwarya Deepak** Sure sir thank you sir.
- Moderator** Thank you. The next question is from Bhavin Shah from Dolat Capital, please go ahead.
- Bhavin Shah** What is the goodwill running on the balance sheet now?
- T. S. Rangan** Yes about 1700 crores.
- Bhavin Shah** Thanks so much.
- Moderator** Thank you. We have a follow-up question from Ashish Goyal from SPA capital. Please go ahead.
- Ashish Goyal** Sir can you share the guidance with respect to speciality business and pharma business top line and EBIDTA margin you already...
- Arun Kumar** Full year results, but we can email it to you again if you like. Just to give you a quick number, we said sales will be 2,200, crores and EBIDTA will be 20% to 22%. Specialties business is of 1,000 crores with EBIDTA of 28 to 30%. And the pharma business is 1,200 crores with an EBIDTA of 13% to 15%.
- Ashish Goyal** And sir Brazilian activities it constitutes both the speciality and pharma or?
- Arun Kumar** Only specialty.
- Ashish Goyal** Okay.
- Moderator** Ladies and gentlemen that was the last question. I would now like to hand over the conference back to Mr. Nitin Agarwal for closing comments.
- Nitin Agarwal** Thanks everyone for taking time and participating in the call. And a very warm thanks to the Strides team for also participating in the call. Thank you very much.
- Arun Kumar** Thank you so much. Bye.
- Moderator** Thank you. On half of IDFC Securities Limited. That concludes this conference call. Thank you for joining us you may now disconnect your lines.