



BIOCON LIMITED
Q3 FY05 Earnings Conference Call
January 20, 2005

Moderator: Good afternoon Ladies and Gentlemen, I am Monali, the moderator for this conference. Welcome to the Biocon conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Shiv Muttoo. Thank you and over to you Sir.

Shiv Muttoo: Good afternoon everyone and thank you for joining us on Biocon's third quarter results conference call. Joining us from Bangalore are Ms. Kiran Mazumdar-Shaw - Biocon's Chairman and Managing Director, Mr. John Shaw - Vice Chairman of the Company, and the Presidents of Finance, R&D, Marketing, Operations and Technology, and Clinigene.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward looking in nature, based on the management's current expectations and may involve risks and uncertainties. A detailed statement in this regard is available in the Q3 results announcement release which has been e-mailed to you, and which is also posted on Biocon's corporate website. I now invite Ms. Kiran Mazumdar-Shaw to provide a brief overview of the company's performance for the quarter.

Kiran Mazumdar-Shaw: Thank you Shiv. In addition to my colleagues, I would like to also introduce two people who are here representing our new collaboration partners Vaccinex Inc. from Rochester, New York. These are Dr. Deepak Sahasrabudhe who is the co-founder of Vaccinex, and Dr. Ray Watkins who is the COO of Vaccinex.

To begin with, I would like to start by giving you a brief overview of this third quarter. I would like to start by making a very important statement and that is, there seems to be a perception that Biocon's company performance should be benchmarked alongside those of tech stocks, and this is something which we would like to correct in the minds of a number of analysts, because we do believe that Biotech like the pharma business has a very cyclical profile and there is bound to be lumpiness in terms of quarterly performance based on various parameters most of which are regulatory in nature, and of course also very dependent on patent acts expiration.

I am very pleased to announce that Biocon's nine months profits have grown by 63% to Rs. 155 crore, and I would therefore like Biocon's performance to be measured on a periodic basis as opposed to on a quarterly basis, and based on this we are extremely pleased with this performance. I believe we have had very good quarter this year for the nine months this year. As you can see, our revenues have grown by 39% to Rs. 550 crore up from last years' nine months' numbers of Rs. 397 crore. The PAT has grown, as you can see, from the previous year number to Rs.155 crore, and the Q3 numbers PAT has been Rs. 50.3 crore. The contribution of this Rs. 50.3 crore has actually come from all our sectors, which includes biopharmaceuticals, enzymes, and research services.

Some of the highlights of this last quarter have been the successful launch of our recombinant human insulin branded formulation Insugen, which was launched into the Indian market on World Diabetes Day on November 14, 2005. The sales numbers that have been reflected in the third quarter are really one-month sales numbers, which have indicated that the product has



been very well received. Our oral insulin program that we have entered into with Nobex has also taken off. Our biological facility is on track and will be fully operational by the end of 2005, and of course our multi product fermentation and synthesis facility will be commissioned in time for the patent expirations that are likely to take place for both simvastatin and pravastatin in the US market in mid 2006, which means we have adequate time to qualify the new facilities to enter into these markets.

As I mentioned, we have also signed a very important strategic collaboration with Vaccinex Inc. of Rochester, New York. This is extremely important for Biocon given its very keen focus on proprietary molecules. We consider antibodies to be a very important sub sector for us, and monoclonal antibody technologies are fiercely guarded by a large number of patents and this makes it very difficult for companies to really develop new monoclonal antibodies without infringement issues arising, and one of the strategies for Biocon has been to identify a partner that allows us to get a very strong position on monoclonal antibody development and Vaccinex is the partner that we have identified that provides us with this opportunity and this profile. Vaccinex has proprietary in-vitro monoclonal antibody technology, and we believe that this strategic partnership allows both companies to derive tremendous value by developing very novel therapeutic monoclonal antibodies, which we believe will be vastly superior in terms of its efficacy given the fact that these will be fully human antibodies. Many other forms of technologies are unable to develop fully human antibodies, so we believe that there are very few companies that can do this and Vaccinex is certainly one of them.

I would like to, at the end of my overview, give an opportunity to Ray Watkins, the COO of Vaccinex to slightly elaborate on this particular aspect of the technology.

Apart from this, I would also like to make a brief comment on the fact that the Syngene's new facility, which were commissioned last quarter are fully operational and as you can see from the numbers generated from this research services business, Syngene continues to perform very robustly, and we expect this to be a very significant growth driver as we go forward. Statins continue to do well for us. There has been pricing pressure in the European market, but we have not seen any such pressure in the US market where the pricing has been extremely stable. Despite the pricing pressure in Europe, we have evolved certain strategies, which have enabled us to maintain margins as you can see from this quarter's numbers. So we are very optimistic about the future in terms of our growth trajectory for the coming years. We see statins as being growth drivers up until 2008, after which we believe that this segment will rapidly commoditize.

We see research services continue to drive growth for the foreseeable future. We see our clinical research business starting to kick in from 2006 onwards because we believe that the kind of expertise that we are developing makes us a very differentiated player in this particular segment. If we look at our other biopharmaceutical segments as being extremely promising. Insulin will certainly be a big growth driver starting from the next fiscal year, and we also look at our other product segments, immunosuppressants and other biopharmaceuticals as being very important two years hence. Our antibody and mammalian cell culture products will also start yielding us very strong growth from the year 2007 onwards. So this is how we see our business going forward, but what is very exciting for Biocon is the fact that we are beginning to start developing a lot of expertise in proprietary molecules. We have a very good integrated model, which allows us to take these concepts and product innovations through the regulatory and clinical evaluation kind of programs very rapidly, and this is definitely making us a very preferred partner for many companies to look at. The kind of process technologies that we are



developing in the biotech segment is certainly profiling us very strongly in the international arena. Our oral insulin program which has already taken off is also something that we expect will bear us fruit in future, and this is something which is very exciting for us given the fact that there are very few players in the oral insulin segment, and insulin segment in terms of various types of delivery mechanisms.

With that I would like to hand over the mike to Dr. Ray Watkins, who can then brief you on Vaccinex capabilities and what he feels is the synergy between Biocon and Vaccinex.

Dr. Ray Watkins: Good afternoon Ladies and Gentlemen. Again, my name is Ray Watkins, I am Vice President of operations for Vaccinex. Let me give you a little background on our Company. We were founded in 1997 as a spin off from the University of Rochester located in Rochester, New York. We are a privately held biotechnology company. We have a proprietary technology for discovering fully human therapeutic antibodies. Our business model essentially entails two revenue tracks, one is to provide near term services to pharma companies and clients, but our most important longer-term strategy is to engage in alliances very similar to what we have established with Biocon.

We believe that this alliance that we have created with Biocon will prove very valuable for both organizations. We have a discovery capability that is somewhat rare in the world. In fact, we are the only company that has the kind of technology that can discover fully human bivalent antibodies against very specific targets to treat very specific diseases. So we believe that we bring a very important discovery element to our partnership. Biocon ofcourse brings world-class technologies, facilities, and know how also to the alliance, and through this alliance we believe that we created a very seamlessly integrated set of skills and capabilities to ultimately bring in very important antibodies to the market.

Kiran Mazumdar-Shaw: With that I would like to again say that the 9 month numbers really reflect that we have exceeded whole year numbers of last year, both in terms of top line and bottom line, and we are confident that we will meet all our strategic and financial targets for the year end and in the future. Thank you very much.

Moderator: Thank you very much Madam. We will now begin the Q&A interactive session. Participants who wish to ask questions, may please press *1 on your touchtone-enabled telephone keypad. On Pressing *1, participants will get a chance to present their questions on a first-in-line basis. To ask a question, please press *1 now. We have our first question from Mr. Surya Narayan Patra of Capital Markets.

Surya Narayan Patra : Congratulations for the good results Madam, and management. I have two to three questions. First - the Syngene business has performed very well, so did we add any clients in the last quarter?

Kiran Mazumdar-Shaw: Yes, we have added a few clients, and one of them has already been talked about which is I think Novartis and Merck.

Surya Narayan Patra: Okay. How many clients you have added, can you tell me Madam?

Kiran Mazumdar-Shaw: We have added two main clients, which are Novartis and Merck.



Surya Narayan Patra: Okay. So it is a long-term contract or it is for some period?

Kiran Mazumdar-Shaw: No, these are all long-term contracts.

Surya Narayan Patra: Okay. Another question is that you have said there is pricing pressure in Europe for statins, so what is the strategy you have adopted for that to insulate your margins?

Ajay Bharadwaj: We have a two-pronged approach. One is ofcourse based on the technical front where we improved our productivity, so the productivity gains helped us in insulating against pricing pressure, as well as build up volumes. So we have managed to do both of these.

Surya Narayan Patra: Okay. My last question is that, in your presentation you have indicated your specialty enzymes, some of your specialty enzymes that are gaining in US and European market. Can you tell me what sort of growth you are expecting in near future and what are the enzymes?

Ajay Bharadwaj: Yes. These are enzymes for the food, beverage and alcohol industries, and we have seen a major gain in this. Because of the focus on biofuel, we have seen major gains in the North American as well as European market, and we expect as we have more capacity becoming available with the commencing of new facilities we expect to grow this business even more.

Surya Narayan Patra: Okay. So what percentage growth you are expecting in near future, next quarter?

Murali Krishnan: On a nine months basis, it has grown by about 35%.

Surya Narayan Patra: That is right.

Murali Krishnan: Future growth will be in similar lines, depending on the new capacities which are being created and capacities being freed-up from some of the existing operations.

Surya Narayan Patra: Okay that is fine Sir. Thank you.

Moderator: Thank you very much Sir. Next we have Mr. Pankaj Thakker from Mandalia Shares.

Pankaj Thakker: Congrats for the very good numbers to the team of Biocon, and my question is, you have told one of the growth factors is insulin, but the insulin market is very small, so how will the sales come from insulin?

Ajay Bharadwaj: First of all, there are two opportunities here. First, the Indian opportunity, which at the moment as you rightly said, it is not small, but it is not very huge, but there is ample opportunity to grow business in India because we are home to 25% of the diabetic population of the world and a very small number of that is being covered right now by the products available. So that is one opportunity that we have to grow the market.



At the same time, and we have said this before, we are looking at the international market both in terms of taking our brand Insugen global, as well as signing on customers in both highly regulated markets and the semi-regulated markets, which is what we are doing now, and insulin from that perspective has the potential to be a very big product.

Pankaj Thakker: Okay. And my second question, can you give me the price of statins approximately as on September 1, 2004, and today's price?

Ajay Bharadwaj: First of all, that is commercially sensitive information and also our contracts with our customers prevent us from revealing price.

Pankaj Thakker: Okay. No problem. Thank you.

Moderator: Thank you very much Sir. Next in line we have Ms. Monica Joshi from Quantum Securities.

Monica Joshi: Hi. This is just taking that ahead from what you said about insulin and your launch in the unregulated markets. If I understand it correctly, you had put it off for this quarter and it was supposed to be launched in Q3, so can you throw some light on this, sir?

Ajay Bharadwaj: Sorry, I am not sure I understand your question?

Monica Joshi: Your insulin launch in the unregulated market, it was supposed to happen sometime in the third quarter, is that right?

Ajay Bharadwaj: No, we said we will launch Insugen in India in quarter three and it was done.

Monica Joshi: And in the unregulated markets?

Ajay Bharadwaj: Well we said that subsequently we will launch in the unregulated markets first of all this unregulated market is a misnomer, it is semi-regulated market.

Monica Joshi: In semi regulated market?

Ajay Bharadwaj: Most markets, in products like this, have a much higher degree of regulation than for the other small molecule drugs. So these markets are semi regulated, and we are going through the process of registering our products in a number of countries, about 20 in number. So as we keep getting there and this would happen over the period of the next half-year to nine months.

Monica Joshi: Okay. So we could see the earliest launch only by say December 2005.

Ajay Bharadwaj: Certainly by that time, it could be earlier.

Monica Joshi: Okay. My second question is about Vaccinex. Are you were supposed to make the equity investment in Vaccinex?

Murali Krishnan: Yes.



Monica Joshi: Can you put some number on that, or what is the kind of deal, or what is the agreement?

Murali Krishnan: No, we cannot put a number on that since we are bound by confidentiality clause. Further on these aspects, currently we are not in a position to divulge anything more than what has already been divulged.

Monica Joshi: Okay and also are you targeting four molecules for four therapeutic antibodies?

Kiran Mazumdar-Shaw: Its several, it is not just four, but it is several molecules.

Monica Joshi: Okay. Also about your data, HR3 was in Phase IIB of clinical trials, so what has been the data on that and how is the fast track approval likely to pan out for you?

Kiran Mazumdar-Shaw: I will ask Dr. Arvind to talk about that.

Dr. Arvind: Yes. We have recruited about 25% of the total number which eventually will be about 80, and so far the trial has gone well in terms of safety, but the efficacy evaluation only will be done later on, may be mid term or towards September or October.

Monica Joshi: Okay. I am sorry for I have to ask this question, where are we conducting this trial sir?

Dr. Arvind: In Bangalore.

Monica Joshi: Okay. Thank you so much. Bye.

Moderator: Thank you very much Madam. Next we have Mr. Sameer Narayan from SSKI Securities.

Sameer Narayan: Good afternoon to the Biocon team and congratulations on a good set of numbers.

Kiran Mazumdar-Shaw: Thank you.

Sameer Narayan: Firstly, two questions about the operational performance. Could you just describe the fact that Europe is seeing a lot of pricing pressure? We see that in the current quarter our margins have actually slightly moved northwards, so madam could you tell us as to whether we find this trend sustainable and if so why?

Kiran Mazumdar-Shaw: Could you just repeat that again?

Sameer Narayan: We find that the margins have been slightly better, so I would like to understand as to what is the reason, what would you attribute this to, some product mix change or how would you see this, would this maintain going forward and if so why?

Murali Krishnan: Yes, various reasons. The contributing factors to these are, product mix, market mix, process and technological improvements and certain cost cutting measures as well.



Sameer Narayan: Okay. Thank you. The other thing was you know this quarter we have seen a tax rate that is slightly higher vis-à-vis the earlier two quarters, any particular reason why?

Murali Krishnan: Yes. There are two reasons. One is Syngene, one of the units of Syngene, now gone out of the tax holiday and the second is because of the deferred tax provided on the new facilities such as Syngene unit at Biocon Park and on the insulin facility as well.

Sameer Narayan: Okay. So out of the total tax outgo of about Rs. 80 million, how much would be the deferred component?

Chinappa M.B.: For nine months, about Rs. 5 crore or Rs. 47 million is on account of deferred tax.

Sameer Narayan: Okay. And the other thing was regarding, on the working capital front, we see that the debtors have shown a marked rise, so any particular reason why or just due to the local insulin launch?

Chinappa M.B.: Yes. In terms of absolute numbers there has been an increase, but if we take that on number of days basis it is same as what it was in the past, about 73 days of sales.

Sameer Narayan: Okay.

Moderator: Thank you very much Sir. Next we have Mr. Dipen Mehta from Dipen Mehta shares.

Dipen Mehta: Congratulations to the Biocon team.

Kiran Mazumdar-Shaw: Thank you.

Dipen Mehta: You have got a major capex plan under way, and we are seeing that in the build up of the fixed assets also, could you please summarize what exactly capex is under way and when it will get commissioned and what is the capacity addition which is going to take place?

Murali Krishnan: Currently, on-going capex programs are quite a few. Recently completed ones include r-Human Insulin plant, immunosuppressants plant and the Syngene facility at Biocon Park. On-going capex plans are for the multi-product fermentation facility and the biological facility for the Mab. These plants will be ready to during the next fiscal year, in stages. In terms of capacities it is going to be three to four times the existing capacity.

Dipen Mehta: That is by June 2006 basically.

Murali Krishnan: No, by April - June 2005 quarter. Multi product fermentation facility will be ready by Q-1 (April - June 2005), will go through the plant / product validation process to obtain necessary approvals from US FDA authorities, for manufacturing & supplying products for the US markets by in 2006.

Dipen Mehta: So the multi-product facility which is exactly the large one which we are doing, which is three to four times, you are saying June 2005 you will commission it?



Murali Krishnan: Yes, by quarter ending June 2005, this plant will be it will be ready for commissioning.

Dipen Mehta: Okay. And thereafter you said that the sales would accrue from 2006.

Murali Krishnan: Yes, the bulk of the sales will start accruing from 2006, because some of the products proposed to be manufacturing there for the US market, since the patents expiry for these products will happened by June 2006.

Dipen Mehta: When exactly? .

John Shaw: In the middle, June 2006 quarter.

Dipen Mehta: Okay. Thank you.

Moderator: Thank you very much Sir. Next we have Mr. Manish Gaur from Voyager.

Manish Gaur: Good afternoon everyone. I had just a small query on the statins prices in Europe. You suggested that there is lot of pricing pressure and also we have lot of capacity coming on stream now. So when this new capacity comes in and we try to dump more statins in the European market. Do you see that the pricing question aggravating and impacting our margins negatively going forward?

Ajay Bharadwaj: We certainly do not think so. It is not the question of dumping material, it is a question of the market expansion that is taking place. Both in Europe and later on in North America the demand for statins is going to be tremendous, and we expect that with the productivity gains that we have already alluded to, as well as larger customer base, we would be quite capable of protecting the margins.

Manish Gaur: Right. What is the outlook on pricing for statins in North America once it opens say three to four quarters down the line? Do you see similar pricing pressure in the US market as well?

Kiran Mazumdar-Shaw: We have indicated that from 2008 onwards you will see some very significant sort of competition building up.

Ajay Bharadwaj: But it is hard to say, I would not like to out guess anybody, you know, there could be pressure and at the same time there may not be any pressure at all.

Manish Gaur: Okay, thanks a lot.

Kiran Mazumdar-Shaw: Yes. It all depends on regulatory approvals.

Moderator: Thank you very much Sir. Next is Mr. Tarun Bhojwani, a private investor.

Tarun Bhojwani: Hello.

Kiran Mazumdar-Shaw: Yes.



Tarun Bhojwani: Yeah. See, I understand finance more than the science, so I refer to your presentation, which is slide #12 out the 19 slides, which you have put up on your website now. Do you have your slide #12 in front of you, Madam?

Kiran Mazumdar-Shaw: Just a minute.

Tarun Bhojwani: It is about the growth drivers.

Kiran Mazumdar-Shaw: Okay. I know that.

Tarun Bhojwani: Now, what you have mentioned there is that the MAbs, immunosuppressants, CRO all this will actually see growth..., they will be the growth drivers of the company from year 2006 onwards.

Kiran Mazumdar-Shaw: Correct.

Tarun Bhojwani: Right. What we are essentially saying is that the most of the growth drivers will trigger from 2006, out of the six growth drivers you have highlighted?

Kiran Mazumdar-Shaw: Yes.

Tarun Bhojwani: Would that mean that 2006 would be really a good growth for the Company vis-à-vis the past year?

Kiran Mazumdar-Shaw: Absolutely. Because a lot of things are taking place in that particular year.

Tarun Bhojwani: Right, so I get a clue that 2006 would be better than 2005 considering these growth drivers in mind. Second point I like to make is, what are the risks of not achieving these growth drivers or rather not achieving this performance which we are viewing from now?

Kiran Mazumdar-Shaw: I really cannot answer that question too well, because all businesses have risks and we have absolutely looked at these kinds of market segments with the best of our evaluation.

Tarun Bhojwani: Right. I believe that lot of assessment has been gone through before putting up this slide, am I right?

Ajay Bharadwaj: Absolutely.

Tarun Bhojwani: As I said that I understand science less. I understand finance more, so I rely completely on you, but what I understand from you is the growth drivers would trigger from 2006 and the performance will be better than what you have achieved so far, and for that you have done a complete assessment...

Ajay Bharadwaj: Tarun, we have very good product mix along with a very good market mix, we sell in over 60 countries now, so that is the reason where we feel that we have really diversified the risk associated with the next year and the years ahead.



Tarun Bhojwani: You see, where I am coming from, my one worry is the CRO. A lot of Indian companies already have reached a critical mass or rather they have reached a turnover, which Biocon has not reached today.

Kiran Mazumdar-Shaw: Like what?

Tarun Bhojwani: I mean Vimta Labs, I have been hearing, Suven Pharma, a lot of other companies I have been hearing they are doing good in CRO, I would like to know where Biocon vis-à-vis the other Indian companies is standing today as far as the CRO is concerned?

Dr. Arvind: We are not a traditional CRO in that sense.

Tarun Bhojwani: Would you explain me what does that mean?

Dr. Arvind: It means that we our expertise and capabilities support the clinical development and research of Biocon's products in the pipeline.

Tarun Bhojwani: Okay. So you are saying today your CRO is more of a captive CRO?

Kiran Mazumdar-Shaw: In the first phase.

Dr. Arvind: In the first phase, and later on we will be looking at doing CRO work for other pharma companies and PAP studies and things like that which we are slowly getting now.

Tarun Bhojwani: Okay. Now in the CRO, in your contract research you only focus on the pharmaceuticals or you also do contract research for pesticides and other industries.

Dr. Arvind: Purely biopharmaceuticals.

Tarun Bhojwani: Purely biopharmaceuticals. The other view I we would like to know from you is, I have been hearing that the biopharmaceuticals is a good growth industry, what is your view on that?

Ajay Bharadwaj: We are in that business, so I think.

Kiran Mazumdar-Shaw: We will agree with you.

Ajay Bharadwaj: We have a very strong view on this – that it is a very good industry.

Tarun Bhojwani: Okay, so fine. That is science with me because as I said that science is very limited understanding for me, financially I understand. I will keep your commitment that you know, your growth for 2006 would be far better than 2005 based on your assessment of the risk. Is that right?

Kiran Mazumdar-Shaw: Yes.

Tarun Bhojwani: Okay. Thank you.

Kiran Mazumdar-Shaw: Thank you.



Moderator: Okay, we take the next question from Mr. Tushar Chandra of Enam Securities.

Tushar Chandra: Good afternoon everyone. Just a quick question on the insulin sales, would it be possible for you to share that number with us?

Kiran Mazumdar-Shaw: Unfortunately not.

Ajay Bharadwaj: Yes, it has done very well and we are quite positive about the way Insugen has been received in the Indian market, and we expect it to actually build up more momentum.

Tushar Chandra: And secondly I missed the part on the tax rate, the line was little choppy, could you explain that again?

Chinnapa M.B.: Yes. Can One of the units under Syngene has come out of the tax holiday and is subject to tax. We have also provided for deferred tax on all our investments in the current year, which is actually a provision for the year 2009. This has caused the increase in the tax rate.

Tushar Chandra: Okay thank you.

Moderator: Thank you very much Sir. Next we have Mr. Ajay Sharma from Citi Group.

Ajay Sharma: Hi. Could you comment on the competition in simvastatin and pravastatin in Europe in terms of how many players and whether you have seen more number of players in these products?

Ajay Bharadwaj: There is this information available in public domain that how many people have got their CEP and how many people are applied for it, so I think it is about six to seven odd people who have.., more than that, about 10 people who have applied, and about three or four people who have approvals in the European market.

Ajay Sharma :This is for simvastatin.

Ajay Bharadwaj: That is what you said simvastatin, right?

Ajay Sharma: What about pravastatin?

Ajay Bharadwaj: Pravastatin is a little less than that.

Ajay Sharma: Right, and could you comment on the average price erosion during the quarter and do you expect that price pressure to continue in this quarter as well?

Ajay Bharadwaj: That is commercially sensitive information, so you know I would not be able to share that.

Ajay Sharma: Okay, let me ask you in another way. Did the price erosion start at the beginning of the quarter and intensify during the quarter?

Ajay Bharadwaj: In simvastatin, and as most people know, I think the prices are already maybe bottoming out or close to bottoming out, so I don't see that intensifying in future.



Ajay Sharma: Right, and what about pravastatin.

Ajay Bharadwaj: Pravastatin is the same because in the European market pretty soon after the product went off patent the prices you know started to level out and stabilize pretty soon, so they are more or less quite stable now.

Ajay Sharma: Okay, so basically in this quarter we should not see additional price pressure right?

Ajay Bharadwaj: We do not expect that, but it is anybody's guess.

Ajay Sharma: Okay. Thank you very much.

Moderator: Thank you very much Sir. Next we have a question from Mr. Kashyap of Sushil Finance.

Kashyap: My question is that when do we expect export of pravastatin to start in Germany.

Kiran Mazumdar-Shaw: It has already started.

Kashyap: Okay.

Ajay Bharadwaj: Yes, we are exporting pravastatin to Europe already.

Kashyap: Okay. What do you forecast, normally once you start the export there is a price decline in the statins, and what is your profile of pravastatin price...

Ajay Bharadwaj: Are you asking about what is the pravastatin price?

Kashyap: No, what I am asking you is that what is your estimated price decline on a yearly basis. What do you expect pravastatin price to fall to within a year's time?

Ajay Bharadwaj: Your guess is as good as mine really, because how the markets would behave in terms of prices is very hard to say, but as I was saying earlier that we do not expect that there will be a further major price drops in the market because prices are bottoming out according to us.

Kashyap: Okay.

Moderator: Sir, are you through with your question.

Kashyap: Yes.

Moderator: Thank you very much. Next we have Mr. Ravi Dharamshi from Rare Enterprise.

Ravi Dharamshi: Good afternoon. Congratulations on a good set of numbers. My question is regarding the immunosuppressants. I would like to get a feel of like what competitive scenario is out there. I have like tacrolimus and sirolimus have too many people developing this product.



Are we currently selling these products, what is the scenario, and what is the outlook for this market?

Ajay Bharadwaj: Immunosuppressants is still little bit way off in terms of patent expiry. There are of course people making efforts to develop these products, but I would say that in terms of Biocon is probably further ahead than most of the competitors would be competitive, and we have lot of inquiries on development quantities and all which we are servicing at the moment.

Ravi Dharamshi: Okay, thank you.

Moderator: Thank you very much Sir. Next is Mr. Sameer Baisiwala from JM Morgan Stanley.

Sameer Baisiwala: Do you see simvastatin market opening up in France and Australia in the middle of this year and is this going to be a good opportunity for yourself?

Ajay Bharadwaj: Yes. Should the markets open up this year, I am certain it will be a good opportunity for us.

Sameer Baisiwala: You have already tied up with the formulators to participate in these two markets?

Ajay Bharadwaj: Yes, we are very active in all the regulated markets and these two markets are no exception.

Sameer Baisiwala: And are they a sizable opportunity?

Ajay Bharadwaj: Being large countries and large economies in Europe, certainly these are interesting markets.

Sameer Baisiwala: Okay. The second question on the **Bristol** tie up for the insulin, would it be fair for us to expect that the Company would be receiving a milestone payment somewhere in the current quarter.

Kiran Mazumdar-Shaw: No, we do not have any milestone payments.

Sameer Baisiwala: I mean to say one bullet payment that was expected for blocking the capacities.

Kiran Mazumdar-Shaw: Yes, we have these, we will receive these regularly.

Sameer Baisiwala: Okay. No, I thought it was scheduled towards the end of the fiscal year.

Murali Krishnan: No, it is an annual payment. Last year we received the payment the annual payment due from them and this year's payment will be received when it becomes due and payable.

Sameer Baisiwala: Would that be in the current quarter, I mean, for the fiscal 2005.

Murali Krishnan: I do not know the exact date, but it will be sometime during this year (CY 2005).



Sameer Baisiwala: Okay fine. Thank you very much.

Moderator: Thank you very much Sir. Next we have Mr. Harish, a private investor from Mumbai.

Harish: Good evening. What would be the expected EPS for financial year 2005?

Murali Krishnan: We have not given guidance for this year and hence we can not comment on the EPS. Going forward, based on Board's decision, we will decide whether to give guidance or not.

Harish: My second question is, how is Biocon getting impacted by the dollar-rupee rate?

Chinnapa M.B: Like all exporters we are affected too.

Harish: Yes.

Chinnapa M.B: We have a hedged position, which protects in the immediate term, but in the long run rupee appreciation would affect our margins.

Harish: What is our hedging limit against which you are comfortable?

Chinnapa M.B: Yes, we have a forex policy that changes the limit from time to time based on the forward 12-month net exposure.

Harish: Okay. My third question would be addressed to Kiran, if I can. What would be your view on share buyback as a strategy to rewarding shareholders particularly when the market is not so kind to our stock?

Kiran Mazumdar-Shaw: I do not think we have such a policy.

Harish: Would you think that this is a better way to reward shareholders rather than dividends?

Kiran Mazumdar-Shaw: Not really. We are too new for this whole thing to consider all that.

Harish: Okay. My final question would be again to Kiran if I can. When do you think Biocon is getting listed in NASDAQ.

Kiran Mazumdar-Shaw: Well at least two years.

Harish: Okay. Thanks a lot.

Moderator: Thank you very much Sir. Next we have Mr. Shubham Majumdar from DSP Merrill Lynch.

Shubham Majumdar: Madam, just looking at your expenditure number, would you be able to give us a break up of that with regard to material cost and SG&A ?////



Murali Krishnan: That we have been posting on our website, the audited financials will be posted, you will be able to get it from there.

Shubham Majumdar: Okay thank you.

Moderator: Thank you very much Sir. Next we have Mr. Nishant Patel from Ashit C. Mehta.

Nishant Patel: Good afternoon Madam. Well, this was with regards to...we gather that capacities are coming up in China in a big way for statins, what kind of impact could this have on Biocon or statins per se in the country?

Ajay Bharadwaj: The capacities that you are referring to, they are not coming up, they are already there.

Nishant Patel: Okay.

Ajay Bharadwaj: As far as we know these capacities have been in place for sometime. Capacity that is going to be added on in China, which is in anyway can adversely hit the prices.

Nishant Patel: So what kind of an impact do we see on Biocon, say year and year and a half down the line?

Ajay Bharadwaj: If you were there in the earlier part of this conference, we believe that the prices have come down to a level where they are now stable.

Nishant Patel: Okay

Ajay Bharadwaj: We don't see any adverse impact, if that is what you are asking?

Nishant Patel: Okay. Because since the prices have already started coming down so I thought probably this would still have an adverse impact on the same...

Ajay Bharadwaj: No, in the regulated markets, there are also regulatory issues which all would be competitors have to overcome.

Nishant Patel: Okay

Ajay Bharadwaj: It is hard there, I mean, we don't see that that further there will be deterioration or anything like that.

Nishant Patel: Okay, thanks a lot.

Moderator: Thank you very much Sir. Next is a follow-up from Mr. Sameer Narayan of SSKI Securities.

Sameer Narayan: Well thank you Madam. My questions have been answered and wish you all the best.

Kiran Mazumdar-Shaw: Thank you.



Moderator: Thank you Sir. Participants who wish to ask questions, may please press *1. We have our next question from Mr. Anil Sarin of Prudential ICICI Asset Management.

Anil Sarin: I just wanted to know the international market size for insulin, immunosuppressants, and monoclonal antibodies.

Kiran Mazumdar-Shaw; The insulin market size is currently estimated at 5 billion dollars, and the monoclonal antibody business segment is estimated at 20 billion dollar by 2010, and the immunosuppressant market is also valued at around 5 billion dollars.

Anil Sarin: 5 billion dollars currently or again in the future

Kiran Mazumdar-Shaw: Currently.

Anil Sarin: Thank you so much madam. All the best.

Kiran Mazumdar-Shaw: Thank you.

Moderator: Thank you very much Sir. Participants who wish to ask questions, may please press *1. Participants who wish to ask questions, may please press *1. At this moment there are no further questions from participants. I would like to hand over the floor back to Mr. Shiv Muttoo for final remarks.

Shiv Muttoo: Thanks. On behalf of Biocon's management team I would like to thank you for your participation. The transcript of this conference call will be available on Biocon's website in three working days for your further reference and thank you once again and over to the call operator.

Kiran Mazumdar-Shaw: Thank you.

Moderator: Ladies and Gentlemen, thank you for using CyberBazaar's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.