Biocon Limited's Q2 FY15 Earnings Conference Call
October 22, 2014

Key Participants from Biocon Group's Senior Management Team

- Kiran Mazumdar Shaw: Chairperson and Managing Director
- John Shaw: Vice Chairman
- Arun Chandavarkar: Chief Executive Officer & Jt. Managing Director
- Siddharth Mittal: President, Finance, Biocon
- Abhijit Barve: President, R&D
- Ravi Limaye: President, Marketing
- Peter Bains: Director, Syngene International
- M.B. Chinappa: President, Finance, Syngene International
- Manoj Nerurkar: Chief Operating Officer, Syngene International
- Saurabh Paliwal: Head, Investor Relations

Presentation Session

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 & H1 FY'15 Earnings Conference Call of Biocon Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Paliwal. Thank you. And over to you sir.

Saurabh Paliwal: Thank you, Shyma and Good Afternoon, everybody. First of all, I would like to wish everybody a Happy Diwali and a Prosperous New Year. Welcome to Biocon's Earnings Call for the Second Quarter of FY15. I am Saurabh Paliwal. Last night we released the results for Q2 & H1 FY15; the same have been posted on our website and also circulated to the investing community. To discuss the business performance and outlook, we have today with us Ms. Kiran Mazumdar-Shaw, Biocon's Chairperson and Managing Director and our colleagues from the senior management team. Before we proceed with this call I would like to remind everybody that this call is being recorded and a replay will be available for the next few days. The call transcript shall be made available on the website soon. I would like to add that today's discussion may be forward-looking in nature and must be viewed in conjunction with the risks that our business faces. The safe-harbor contained in our press release also pertains to this conference call. After the end of this call, please feel free to get in touch with the Investor Relations team for any additional clarifications. With this I would like to hand over the call to Ms. Kiran Mazumdar. Over to you ma'am.

Kiran Mazumdar-Shaw: Thank you and let me welcome all of you to this Investor Analyst Call. I'd like to start by wishing every one of you a very Happy Deepavali, Happy Lakshmi Puja tomorrow and let us hope that the New Year augurs well in terms of a very strong economic growth for the country and for Corporate India.

Let me begin this call by presenting the key financial highlights for this quarter.

- Group sales were at Rs.750 crore.

- The Biopharmaceuticals segment sales were at Rs.558 crore and within this segment the Biopharma sales were at Rs.442 crore while Branded Formulations grew 17% year-on-year to register Rs.116 crore.
- The Research Services segment registered Rs.192 crore in sales.
- Group EBITDA was at Rs.188 crore, flat year-on-year, and EBITDA margins were at 24% for this quarter.
- There was a net FOREX gain of Rs.4 crore in Q2 FY15.
- Group net profit for the quarter was at Rs.102 crore, PAT margins stood at 13%.
- We incurred a total gross R&D spend of Rs.56 crore this quarter. Of this amount, Rs.35 crore is reported in the P&L. We capitalized Rs.14 crore while the balance was offset against deferred revenue. This has been a standard practice in the way we look at R&D spends. We expect these numbers to rise going forward as more biosimilar programs advance in the clinic.
- Long-term borrowings for the Group at the end of Q2 stood at Rs.783 crore coming from drawdowns made for construction of our Malaysia facility.

We have seen a flat performance from Biocon at the Group level this quarter; however, I must explain the reasons for this.

Our **Biopharma business** continues to face challenges: allocation of development batches for biosimilars poses capacity constraints which combined with the absence of Fidaxomycin and decline in exports to the Middle East have impacted growth. We expect marginal improvement in this business in the second half of this fiscal.

Branded Formulations has grown ahead of the market as normalcy returns to this business vertical.

Our **Research Services** segment, on the other hand, delivered revenues in line with our commentary in Q1 and we expect to see a stronger performance from this segment in the second half of this fiscal.

The **R&D programs** that are part of our biosimilars portfolio, which we have partnered with Mylan, continue to make good progress. Mylan has begun the recruitment for two Phase-III trials for generic Insulin Glargine in the US and these trials are expected to conclude by June 2016. Our global Phase-III Trastuzumab trial also continues to progress well. Recruitment has in fact picked up. Apart from generic Insulin Glargine and Trastuzumab, we expect more programs in our biosimilars portfolio to enter clinical trials this fiscal. All this augurs well in terms of value accretion for our research pipeline. This quarter we continued with the filings of ANDAs in the US.

Post this quarterly discussion, I would like to conclude with the following comments:

- Our historic API business is challenged with capacity and geo-political issues related to credit risk in the Middle East and we expect muted performance from the small molecules vertical in the short term. However, we are actively pursuing entry into other markets to mitigate this risk.
- We are on track to commission our Malaysian Insulin plant this fiscal; thereafter we will commence the process of plant validation and regulatory approvals. The earliest we can aim to get Malaysia qualified is either late 2016 or early 2017. Once we commence commercial supplies from Malaysia, it will help us unlock the growth opportunity in generic Insulins starting with the emerging markets and followed by the developed markets. However, the

main aim for the Malaysian facility is to be ready for market commercialization of our generic Insulins, especially generic Insulin Glargine.

- Branded Formulations and Research Services will be the key growth drivers for us, both in the short and long term and we see them as sustainable.
- Value drivers for Biocon are also captured in our R&D pipeline where we see our biosimilar pipeline advancing into the clinic. Our Novel programs, IN-105 and Itolizumab are attaining credibility as we build science in both these programs. Biocon should be able to realize value from these assets when they are out licensed.
- Manufacturing is a key driver of growth for us going forward. We will add capacity to address the growth challenges in our core business and we will be investing in additional manufacturing capacities that will cater primarily to developed markets for many of our programs. These include various Brownfield capacity expansions, a new Generics Formulation facility as well as Contract Manufacturing facility for Syngene.
- We are clearly in an investment phase where our R&D programs - our ANDAs, biosimilars, and novel assets are making progress in the clinic. This high value R&D pipeline is indeed uniquely differentiated and we are confident that it will drive strong growth upon commercialization to help us reach our revenue aspiration of USD 1 billion by the 2018-2019 timeframe.
- The priorities for us in the short-term therefore are to ensure:
    - The progress of our R&D assets as per our development plans.
    - To unlock value of novel assets by partnering or out licensing deals. As you will appreciate, the timing and value of such deals is not predictable.
    - Alleviate capacity constraints through expansions- both Greenfield and Brownfield, in line with our product development and commercialization timelines.
    - Unlock value of our Research Services business by listing Syngene in the near-term.

With this I would like to open the session to question-and-answers. Thank you.

Q&A Session

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: First question was on the Insulin program. It is interesting to see that Phase-III has started. Just wanted some detailed color on the way you see the Phase-III will happen, I know you have shared the details of the number of patients in the trial. How similar do you think it is to the products that they have an approval in Europe and possibly US? And if you can also spend some time on whether the number of trials which Lily had to do would be similar what we would see in this case?

Dr. Abhijit Barve: Girish, this is Abhijit here. We looked at the Lilly program and it has helped us understand how we need to position some of the things. So you can expect a very similar approach. We have already mentioned this in our call, I think two or three quarters ago.

Girish Bakhru: Just to clarify, so if Lilly had done say 6 trials in their filing, would it be fair to assume your number of trials would be similar?

Dr. Abhijit Barve: We cannot tell you the exact numbers, it depends on how they did some of their studies, but I think the critical part really is how the Phase-III program is going to look like and that is going to be very similar.

Girish Bakhru: Would you have a fair idea of how much would be the cost of the entire these two phase trials?

Dr. Abhijit Barve: We cannot share that, Girish.

Girish Bakhru: Just a second question was on Dificid - has Cubist re-launched Dificid or did this quarter also see lower sales of Fidaxo?

Kiran Mazumdar Shaw: If you see the latest commentary from Cubist, they have clearly talked about an increase in the offtake of Dificid although it is just early days yet.

Moderator: Thank you. The next question is from the line of Surya Patra from Phillip Capital. Please go ahead.

Surya Patra: My question is again on Dificid. I was looking at the prescription pattern of Dificid over last couple of quarters. It is progressively improving whereas our supply has been impacted over the last couple of quarters since Optimer got acquired by Cubist. Can you give some sense on when can we see the incremental revenue coming from Dificid API supply?

Ravi Limaye: What they have said is that prescriptions are improving and they are also going to launch the product in some European countries, which is good. However, you should understand that from our point of view, it has to be a balance of the inventory that they carry and the offtake that they get over a period of time. So you will get to know as we progress how the sales will progress from our point of view.

Surya Patra: So this year second half we will see incremental flow from this stream?

Ravi Limaye: Unlikely.

Surya Patra: Just wanted some clarity about the Syngene plant approval- whether it indicates one of your pipeline products' supply opportunity in the subsequent quarter, some sense on that- how big that opportunity could be or what kind of product opportunity it would be or in what therapy kind of opportunity it would be?

Peter Bains: Could you clarify your question, are you referring to the latest US FDA inspection?

Surya Patra: Correct.

Peter Bains: Okay. So this was a pre-approval inspection conducted in response to an NDA submission by one of our multi-national pharmaceutical partners. Obviously, that is not a confirmation approval and is yet to be confirmed. While we cannot comment on specifics here, what we can say is that the normal timeline to launch would be around one year. As you know, launch is the beginning of the commercialization phase and you would expect volumes to ramp up from the launch.

Surya Patra: How big is this new plant because I think this is the first plant from Syngene which has received the US FDA approval?

Peter Bains: This is a pre-approval inspection of the facility within the Syngene campus, where this is being built up over a number of years. The capacities have been expanded as we commented on in the last year particularly.

Surya Patra: What I understand, your capacity got doubled when compared to FY13 or early FY14 levels in Syngene.

Peter Bains: That is correct.

Surya Patra: And what is the kind of investments has been made so far?

Peter Bains: We cannot comment on the specific investment breakdown.

Surya Patra: Just wanted some update on IN-105, because you had indicated that by December you would be commenting on the data points of the Phase-II trial in US?

Dr. Abhijit Barve: I think we had commented that we will do it by the end of the fiscal year, not the calendar year. But the studies continue to progress well and we will be sharing the read outs around that time point.

Surya Patra: Can you share some numbers of a number of ANDAs that you have filed so far and your filing plans for the current year and next year like that?

Arun Chandavarkar: We have a pipeline of ANDAs- we have filed a few in the first half, but as we had stated in the past I do not think for us it is going to be a huge number of ANDAs. Our focus is on a few specific molecules that dovetail with what we perceive to be our strengths.

Moderator: Thank you. The next question is from the line of Suyash Kapoor from Shreyash Finance. Please go ahead.

Suyash Kapoor: I have two questions; one question is regarding the interest component. If you can please explain why the interest component has risen almost like 100x? Second question is regarding the transaction of Syngene. If you can explain the rationale: like the seller sold and you purchased and then you again sold at a ten times of the valuation, if you can please give clarity on this transaction like somebody selling you at an X amount and then again you sell it very next day to the buyer at 10x of that amount?

M.B. Chinappa: Hi, Suyash, this is Chinappa here, I will take the first part of your question. The interest cost represents cost of some temporary borrowings, which we expect to close out towards the end of this calendar year. So you will see it in this quarter and the next, and these loans will be paid off by the end of the year.

Siddharth Mittal: This is Siddharth. I will address the second part. As we had mentioned when the Silver Leaf deal was announced, this was an independent deal. India Value Fund Advisors (IVFA) had partnered with Biocon, just prior to our IPO and they had expressed their interest to partner with us for Syngene's IPO. Given that the public holding at the time of listing has to be 25%, we already had a minority interest of 12%. So, there was only one way in which we could have divested some stake to IVFA, which was to buy back the stake from GE. As you mentioned we gave them at a very attractive exit at a 72% return in a very short period of time. The transaction value with IVFA was agreed on independent basis and as we mentioned, these were two separate transactions. We negotiated a separate deal with GE and a then a separate deal with IVFA.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Religare Invesco. Please go ahead.

Nitin Gosar: If you can help me understand what is the situation right now in MENA region, why the business is getting stuck, and what is the quantum impact and when can things be expected to improve?

Arun Chandavarkar: It is more of a business risk rather than a lack of business opportunity. As you know because of the turbulence in the Middle East, there is a risk in terms of potential receivables. So that is a credit risk, based on which we have taken a conscious decision to mitigate that risk by reducing our exposure until things stabilize. So it is not an absence of demand for our products.

Nitin Gosar: So what could be the quantum of revenue that could have got impacted in first half?

Arun Chandavarkar: Although we do not disclose the segment percentage in terms of regions, it has been reasonably significant for us to attribute that as a reason for some of our lack of performance in our core Biopharma segment.

Nitin Gosar: But it would be fair to assume that it should be less than 20% of your Biopharma?

Siddharth Mittal: Absolutely less than 20%.

Nitin Gosar: How are you trying to mitigate it, like moving to the other countries and trying to…?

Ravi Limaye: Yes, exactly. We are developing businesses in other regions to mitigate this risk.

Nitin Gosar: Second question was pertaining to Dificid. I just missed on the commentary. Cubist will be getting supplies from us in the second half of the year or we can only expect it to happen in the next year?

Ravi Limaye: We cannot predict it. It is unlikely there will be any significant supply in second half.

Nitin Gosar: But, is there any change in contracts post Cubist acquiring?

Ravi Limaye: There is no change.

Nitin Gosar: And the third question was pertaining to gross margin. I believe our commentary has been constantly that we are trying to optimize our sales mix. For the second quarter, although it is only a one quarter, but there has been blip in the gross margins. Going forward, keeping in mind the kind of higher R&D expenses we shall be incurring plus kind of tepid top line growth, where could you see the cushion coming into ensure that the EBITDA margins do not fall off?

Arun Chandavarkar: I do not think that we are going to have an impact from a gross margin perspective on a long term basis. On a short term basis, definitely the cushion can come from high value orders or good products like Fidaxomycin, which we mentioned has been absent this fiscal compared to the previous fiscal. We have also mentioned there has been an impact from the turbulence in the Middle East. But if you look at our growth drivers in the long term, whether it is in the API business or the Insulins and Branded Formulations business I think they are all significant contributors with the very attractive gross margin profiles.

Moderator: Thank you. The next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.

Ranjit Kapadia: My question relates to Clinigene, if you can give a latest update? And the second question relates to Syngene. We have talked a number of times about the listing of Syngene. So is it the right time to list Syngene or still we are ahead?

Peter Bains: As we have indicated previously, Clinigene has returned to profitability and is on a growth trajectory. We are very pleased to see the initiatives of the government on the trials and the regulatory environment in the country. Clearly, there is more needed there, but we think these will help restore confidence in the global pharma industry and we would expect business to return to India on the clinical trial front. Clinigene is on a strong footing there and well prepared for this. I think our outlook for Clinigene remains positive. On the question regarding listing, I think that was answered in the opening statement.

Moderator: Thank you. The next question is from the line of Hitesh Mahida from Antique Stock Broking. Please go ahead.

Hitesh Mahida: My question relates to the stake increase in NeoBiocon from 50% to 51%. Just wanted to understand what was the rationale behind just a 1% increase in stake and because of which I think our top line has gone up by Rs.10 crore during the quarter which was not the case last year? Secondly, the CRO business, the growth in the first half has been pretty low compared to our historical average of more than 25% growth. So what has been the reason behind it and when do you expect things to improve in this particular business?

Arun Chandavarkar: From a NeoBiocon perspective, as we mentioned, we do believe the Middle East to be an important market for us. NeoBiocon operates in the stable part of the Middle East, not the turbulent part. It is largely present in the GCC regions, and, given the importance we attach to that, we felt it was important to gradually look at how we can control that entity in terms of putting in more products and growing that business significantly. Taking a stake of 51% enables us to put in certain businesses into that company. We do look at that region through NeoBiocon as a significant growth driver just the way we look at our own Branded Formulations in India.

Peter Bains: You are right. Compared to historical trends, the growth this quarter in research services has been muted at 2%. It is worth noting however that Q2 recorded 11% sequential growth on Q1. But to get your question, the underlying reason relates to phasing. As you know, pharmaceutical discovery and development is by nature a cyclical process. We have over a hundred partners that we work with and from time to time within these cyclical processes we get positive and occasionally negative phasing effects. We have seen some very positive phasing effects in the last two years where we reported exceptional growth. In the last quarter particularly, we have seen that cyclical process result in negative phasing effect. To turn to the second part of your question, again, as we indicated in the last call, we now have new capacities that we put on stream and these are now operational. These coupled with a robust order book and accelerating underlying business momentum, we see a strong second half and an outlook that will bring the full year numbers back into line with our mid-term guidance of revenue growth in the high teens.

Hitesh Mahida: We have done a capacity expansion last year and YoY we have not seen any major growth over the last two to three quarters and our press release states that we are facing some capacity constraints. So just wanted to know which are the areas where we are facing such constraints?

Arun Chandavarkar: Yes, you are right. We have de-bottlenecked the capacities in the Insulin drug substance areas- we referred to that in the previous year and that has yielded us good returns in

terms of expanded capacity. That is only one part of the capacity expansion. Our constraints are right now across multiple areas. We mentioned that we do have constraints even in our small molecule business, which Kiran alluded to in her opening remarks. If you look at the Biologics businesses, some of our capacities are being utilized by our development, scale up, and validation batches for our pipeline of biosimilars that are under development. And thirdly, we are seeing an increased growth on the formulations side of our biosimilar and Biologics business. We have not yet expanded that capacity which would come on stream only when Malaysia comes on stream.

Moderator: Thank you. The next question is from the line of Abhishek Sharma from IIFL Capital. Please go ahead.

Abhishek Sharma: Just wanted to understand how is the Biopharma business doing in regions apart from the MENA region? Secondly, I wanted to know on the Insulin Glargine trial. Have you gone in with the pen or a vial?

Ravi Limaye: So regarding your question on how is the Biopharma business doing ex-MENA, we have said in our calls in previous quarters that our endeavor is to move the business to more profitable mix, which will include Immunosuppressants, specialty products and we continue to follow that strategy.

Dr. Abhijit Barve: On your second question, we cannot share that information, but clearly, we are doing whatever is needed to be competitive in this space.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: We currently have one antibody and one Glargine in Phase-III global clinical trials. Where could this number be in say about 12 to 18 months from now: both antibodies as well as insulin analogs?

Arun Chandavarkar: We have already guided in the last two quarters that we expect a few more of our biosimilar products to enter the clinic this year and we are on track to deliver on that statement.

Sameer Baisiwala: So we should see a couple of more in the current fiscal itself…

Arun Chandavarkar: Entering the clinic. I would not right now give more granularity because these are partnered programs with Mylan and we cannot make any public disclosure at this stage. As and when the trials happen globally, some countries do publish the information on the clinical trial registries and websites. So at that stage, it will become public information.

Sameer Baisiwala: The second question is I think Kiran mentioned that the Malaysian facility would largely be for Glargine. So the question here is how do you debottleneck the capacity constraints for human Insulin?

Arun Chandavarkar: No, I do not think Kiran said that is largely for Glargine. What she meant was that the facility can handle the Recombinant Human Insulin as well as the three analogs that we are developing in our pipeline, that is, generic Glargine, Aspart and Lispro. So it is a multi-product facility. It will cater to our need for Recombinant Human Insulin as well, but she is referring to the market opportunity. If you look at the market, Glargine today is an $8 billion opportunity. So that is what I

think she was indicating that she is expecting it to cater significantly to Glargine, in line with the current market split between Glargine and Human Insulin.

Sameer Baisiwala: But otherwise you would be doing Recombinant Human Insulin?

Arun Chandavarkar: Yes, it is still designed for all four products.

Sameer Baisiwala: There was some mention of it about late 2016 and early 2017. What was the timeline because I think it gets commissioned later this current fiscal, so that is the time gap between product registration, etc.,?

Arun Chandavarkar: I walked this through last time. Commissioning of any Greenfield facility basically has two aspects to it -- one is you commission the equipment and qualify the equipment that is a regulatory process, which is called 'IQ, OQ.' After you complete that, you come to PQ, which is about 'Process Qualification.' That has aspects to it such as doing mock batches, development batches, scale up batches, and then finally validation batches. This is a long drawn process, because as I mentioned we will have Insulin and Glargine in the pipeline as drug substances, and each of these would have multiple SKUs in the finished formulation. As you know, Insulin will have Insulin R, Insulin N, Insulin 30-70 and you have vials, cartridges and so on. So there are multiple batches that have to be taken and put on stability before you apply for a regulatory approval. Once that process is over, you apply for regulatory approval and then await inspection from countries that do send inspectors.

Sameer Baisiwala: So the first dollar that flows in is end of 2016 calendar?

Arun Chandavarkar: We are not guiding on that but I think our expectation is that this process will take a year before we can file and after that it depends how quickly some of the emerging markets approve the product. Developed markets, our experience says does take little longer.

Sameer Baisiwala: What could be your CAPEX for next 12 to 18 months excluding the Malaysian facility?

Arun Chandavarkar: I think in terms of normal CAPEX at the Group level, we have indicated that it is around the Rs.200-250 crore range that includes Syngene and Biocon. It is the normal CAPEX that we incur in terms of de-bottlenecking our facilities or maintenance CAPEX and some sort of that excluding specific Greenfield initiatives like Malaysia.

Kiran Mazumdar-Shaw: We do envisage some Greenfield projects in Syngene and I think this is about investing in some of the growth opportunities that Syngene is addressing, especially in Contract Manufacturing.

Sameer Baisiwala: I think you did mention something about Formulations facility as well?

Kiran Mazumdar-Shaw: Correct. It is not a significant cost, but, yes certainly the activity will start and there is some time left for really investing in it. So that is not a huge investment but really the larger investment will be Syngene.

Moderator: Thank you. The next follow up question from the line of Suyash Kapoor from Shreyash Finance. Please go ahead.

Suyash Kapoor: If you compare the results which you have given on the Bombay Stock Exchange that your turnover has increased from quarter-on-quarter from Rs.718 crore to Rs.749 crore, that is an increase of Rs.31 crore, but cost of material consumed has increased by Rs.72 crore. Can you please explain that what is the reason for such a high increase in the cost? And a follow up question is regarding the change in inventory. Earlier it was Rs.13 crore and now it is Rs.47 crore. So, if you can please explain these two points kindly?

Siddharth Mittal: The gross margin has remained almost at the same level, which is at 59-60% level. Last quarter it was around 60%. To compute gross margin you have to consider cost of materials consumed, purchase of stock-in-trade and changes in inventories.

Suyash Kapoor: That is only I was asking, the previous quarter it was Rs.258 crore, now it is Rs.330 crore.

Siddharth Mittal: That is only one line you are looking at. You should look at not only the cost of materials consumed but also add to that the purchase of stock-in trade and the change in inventories. You have to take to consider the sum total of all these three lines to calculate the change in gross margins. So that is the way how it has been disclosed as per the Clause 41, but the gross margin or the cost of goods sold is a combination of the three lines.

Suyash Kapoor: I wanted to know what is the chief raw material which you used to manufacture your drugs? That has been almost increased by 20%. That is why I was asking that what is…

Siddharth Mittal: The cost of raw material has remained same. The gross margin which is revenues net of cost of raw material consumed, purchase of stock-in-trade and changes in inventory, has remained at the same level as last year and last quarter. If you add the three line items, this year has been Rs.309 crore and last quarter was Rs.291 crore, as the revenue has gone up this number has gone up in the same proportion. We can come back to you offline on this.

Suyash Kapoor: If you can please explain on goodwill and consolidation sir, you have already given a note, it is around Rs.12 crore to Rs.178 crore that is the balance sheet figure?

Siddharth Mittal: As you are aware that we have purchased a 7.69% stake from GE and the transaction with Silver Leaf has not yet been approved by the regulatory authorities. That transaction is expected to conclude in Q3. In Q2, that investment upon consolidation has been accounted under goodwill, since it is the share of a subsidiary.

Suyash Kapoor: Your trade payables have increased rapidly, from Rs.268 crore to Rs.343 crore.

Siddharth Mittal: Again, there are three line items you have to look at under current liabilities. Trade payables is when an amount payable has been booked under a creditor. But when you accrue an amount that is under other current liabilities or short-term provisions, so you need to combine the three and compare.

Suyash Kapoor: Yes, your short-term provision has decreased to a great extent from Rs.160 crore to…?

Siddharth Mittal: You have to consider all these.

Moderator: Thank you. The next question is from the line of Vipul Shah, an individual investor. Please go ahead.

Vipul Shah: I just want to know what will be the final CAPEX when Malaysia project is completed and how much revenue we can expect once the project becomes fully operational.

Siddharth Mittal: What we have said is that CAPEX value of Malaysia is roughly $200 million. As of now the capitalization will continue till we complete some of the batches that Arun had discussed. We would continue to capitalize some of the expenses as well. We are yet to work out with auditors the whole capitalization. At this stage we cannot give you the revenue potential as we have not disclosed that number publicly.

Vipul Shah: But can you tell me it is going to be used only for Insulin?

Siddharth Mittal: Yes, for all Insulins.

Vipul Shah: Including Glargine?

Siddharth Mittal: Yes.

Vipul Shah: But will it not be possible for you to give a rough indication of the probable revenue generation?

Siddharth Mittal: No. Again, dependent on multiple factors. Since the three of our Analogs are partnered with Mylan, there is a revenue split or a profit share with Mylan, then there is a cost plus manufacturing.

Moderator: Thank you. The next follow up question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Mylan disclosed that the Glargine clinical trials would be completed by June '16. So between now and then would there be any disclosures on a trial or would there be any monitorable for Glargine as much as antibody and other to be entering Phase-III compounds?

Dr. Abhijit Barve: Sameer, the trial will continue and the read-outs will happen as has been indicated by Mylan in June of 2016.

Sameer Baisiwala: So there will be no monitorable updates between now and then?

Dr. Abhijit Barve: No.

Moderator: Thank you. The next follow up question is from the line of Abhishek Sharma from IIFL Capital. Please go ahead.

Abhishek Sharma: If you could help us with the development timelines for the other two partnered products – Lispro and Aspart?

Arun Chandavarkar: They are still at early stages and have not yet entered the clinic.

Abhishek Sharma: By when do you anticipate they could enter the clinic?

Arun Chandavarkar: As we have said, when these products will enter the clinic it does appear on the clinical trial websites and then you will know about it.

Moderator: Thank you. The next question is from the line of Surya Patra from Phillip Capital. Please go ahead.

Surya Patra: Regards the Insulin business, how is the tender business doing for us? And what is the kind of growth that we are seeing in the Insulin business in RoW market particularly, because we are not anticipating significant revenue contribution from the Malaysian plant in the near term and our capacity in Bangalore is to some extent optimally utilized at the current moment.

Arun Chandavarkar: I will just answer the capacity constraint issue. Yes, whilst Malaysia will follow the timeline I have indicated in response to a previous question, we are making efforts to see what we need to do to mitigate some of the capacity issues in the nearer term. If we are successful with some of the strategies, because the strategies depend also on regulatory approvals, we will be able to capitalize on some opportunity sooner than that. But we cannot really plan for that at this stage. The tender business I think we have mentioned in one of the earlier quarters, tends to be lumpy and typically in our current situation of capacity constraint, that is the business we enter into with confidence only when we are sure about supplies.

Surya Patra: I am a bit confused. That means whether we are seeing this muted growth in the Biopharma is also partly because of the moderated growth in the Insulin, is it so?

Arun Chandavarkar: No, I would not say that. It is moderated only a part of it in terms of the fill-finish aspect because of the capacity constraints and of course the allocation of the capacity for our development and scale up batches. We see that as something that can be mitigated both through Malaysia and through some other steps that we intend to take.

Surya Patra: Do you have any alternate plan to enhance our Insulin capacity till early FY16 or something like that…?

Arun Chandavarkar: I already mentioned that we are looking at alternate plans in the near term to see how we can de-bottleneck some of our fill-finish capacity.

Surya Patra: In terms of capacity expansion or debottlenecking some sort of ….?

Arun Chandavarkar: It is the difference between Brownfield and a Greenfield. There are various ways to address this capacity.

Surya Patra: The Immunosuppressants, whether it is progressing the way it has been like about 25-30% kind of growth what we have in a few quarters, is the trend on or it has also witnessed some sort of moderation?

Ravi Limaye: I would not give numbers, but I mentioned that the strategy is to move to a profitable portfolio and Immunosuppressants is very much a part of it and so are some of our Specialty products. So we continue to follow that strategy.

Surya Patra: So whether you have started supplying Sirolimus API to the advanced market, particularly for the US market?

Saurabh Paliwal: Surya, I think we indicated a couple of quarters ago that our DMF was part of number of the ANDAs that were approved by the US FDA. So Sirolimus is a constituent of our exports.

Surya Patra: Because there are no generic players as of now apart from selective one or two in US. So that is why I was asking this question.

Arun Chandavarkar: We cannot add more to that, we are supplying, that is all we can say.

Moderator: Thank you. The next follow up question from the line of Suyash Kapoor from Shreyash Finance. Please go ahead.

Suyash Kapoor: If you can explain what is the dividend policy of the company?

Kiran Mazumdar-Shaw: I think as a policy we like to definitely ensure that we provide our shareholders with a dividend each year, and I think a lot of our dividend policy depends on what our projected spends are going to be in terms of the R&D programs and in terms of our CAPEX needs. I think based on that we obviously still manage to pay a pretty good dividend to our shareholders, and we will continue with this policy.

Suyash Kapoor: Basically, what I wanted to know, ma'am, as far as net profit is concerned, how much percentage is the company comfortable to give?

Kiran Mazumdar-Shaw: You must understand that when we are in an investment phase, then basically no matter what your profitability is, you have to allocate majority of the profits and the cash reserves to what the spends are going to be. So thus far we have been able to make sure that our shareholders get a good dividend payout each year and our endeavor is to sustain these kinds of levels.

Suyash Kapoor: Do we have any CAPEX plan?

Kiran Mazumdar-Shaw: We have Greenfield and Brownfield investment plans in CAPEX. You know that Syngene also has got a large CAPEX plan ahead. So I am sure you will appreciate that when we invest in this it is for growth so that we can in future pay you even better dividend.

Moderator: Thank you. Participants that was the last question. I now hand the floor back to Mr. Saurabh Paliwal for closing comments. Thank you. And over to you, sir.

Saurabh Paliwal: Thank you everybody for being part of this call. Again, on behalf of Biocon, wish you all a very Happy Diwali. We will connect with you next quarter.

Moderator: Thank you, sir. Ladies and Gentlemen, on behalf of Biocon Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.