

BIOCON LIMITED
Q2 FY05 EARNINGS CALL
OCTOBER 20, 2004

Moderator: Good afternoon Ladies and Gentlemen. I am Parimala, the moderator for this conference. Welcome to the Biocon conference call hosted by Enam Securities. Mr. Sameer Narayan of Enam Securities is your call leader today. 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. Sameer Narayan of Enam Securities. Thank you and over to Mr. Narayan.

Sameer Narayan: Good afternoon everybody and we welcome you all on the Q2 FY05 post results conference call on behalf of the Biocon management. We are glad to have the Chairman and Managing Director, Kiran Mazumdar-Shaw along with her senior team with us on this call, and we would like her to start the presentation. Over to you madam, thank you.

Kiran Mazumdar-Shaw: Thank you Sameer and good afternoon to everyone. Thank you for joining this conference call. I would like to start by introducing my team here with me on this conference call, as well as Mr. Christopher Price who is the President and CEO of Nobex Corporation, who is also with us today. I would like to start by introducing Mr. John Shaw, Vice Chairman; Murali Krishnan, President-Finance; Mr. Shrikumar Suryanarayan, President-R&D; Dr. Arvind, COO of Clinigene; Mr. Ajay Bhardwaj, President-Marketing.

I would like to give a quick overview of the Q2 results. We have delivered very handsomely in terms of the first half for Biocon numbers, where we have registered sales of Rs. 360 crore and net profit of Rs. 105 crore. We have continued to have a strong balance sheet where the shareholders' funds have increased to Rs. 670 crore. All sectors have delivered very strongly in attaining these first half numbers, namely research services, enzymes, statins, and biopharmaceuticals. We also have done very well in terms of some of our other products. Insulin is expected to be launched imminently. We are delighted to announce a core development partnership with Nobex Corporation of the U.S. to develop oral insulin. We have commenced, as you know, Phase IIB clinical trials for our first monoclonal antibody targeting an indication of head and neck cancer, and we are also very happy to inform you that Dr. Bala Manian has been inducted onto the Biocon Board. And last but not least, Syngene's new research facilities are all set to be inaugurated tomorrow by the Science and Technology Minister, Mr. Kapil Sibal. With that, I would like to launch into the conference call, and I will be very happy on behalf of everyone here to take any questions.

Moderator: Thank you very much Madam. We will now begin the Q&A interactive session. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their question on a first-

in-line basis. To ask questions, please press *1 now. First in line, we have Mr. Madhusudan Bagree from Citigroup.

Madhusudan Bagree: Thanks. Congratulations to the management for a good set of numbers. I have got a couple of questions. Firstly, what are the growth drivers in the year 2005 and what guidance are you going to give on the margin side, which seemed to be pretty stable at about 33-34% right now?

Kiran Mazumdar-Shaw: Well, in terms of guidance, we do not wish to give any guidance because our business model does not make it conducive to give any guidance. People have to start understanding the biotech business because it is certainly not an IT model, which is predictable. Here we are very dependent on patent expirations, regulatory approvals, and so on. So, we would like you to benchmark Biocon on its fundamentals and on annual performance

Madhusudan Bagree: Okay, would you like to comment on the growth drivers in 2005?

Kiran Mazumdar-Shaw: Well, we see the same growth drivers for the rest of the year. We are very confident that we will continue to drive growth with the help of our research services, statins, biopharmaceuticals, and enzyme businesses. All segments will contribute to good growth for the rest of the year as well.

Madhusudan Bagree: Madam I was referring to FY06 not FY05.

Kiran Mazumdar-Shaw: Well, FY06 will also have similar growth drivers; these segments that I talked about will continue to deliver in FY06 and one of the kick-in drivers will also be the new capacity which will, of course, contribute to enhance the sales of the statins for this coming fiscal year, and added to that, you will start seeing insulin starting to contribute to these numbers.

Madhusudan Bagree: And insulin would be mainly in the Indian market or are you looking at other markets also?

Kiran Mazumdar-Shaw: No, we have a global strategy, and you are going to see some of that kicking in.

Madhusudan Bagree: Okay, ma'am I would like to hear your thoughts. Do you think there is enough capacity for statins right now globally or is there still room for adding capacities over there?

Kiran Mazumdar-Shaw: I really do not think I am in a position to predict what will happen to the market place in terms of enhanced capacity. I would like Ajay to answer this question.

Ajay Bhardwaj: Well, as far as approved capacities are concerned, they are fairly limited at the moment, and we see that that will be the main driver. We have our facilities and our capacities approved, and that is a very important point to bear in mind.

Madhusudan Bagree: And what has been the experience in the European markets with both the statins, which you launched?

Kiran Mazumdar-Shaw: We have had very good success with both these statins in the European market.

Madhusudan Bagree: Okay, thanks a lot ma'am.

Kiran Mazumdar-Shaw: Thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Rahul Sharma from Karvy Stock Broking.

Rahul Sharma: Ma'am, I just wanted to know how is the competition in the pravastatin market in Europe, and presently there are four other players, if I am right? Could you throw some light on the prices in the European market?

Kiran Mazumdar-Shaw: Well, obviously we cannot share any pricing details. We are making significant progress in the European market.

Rahul Sharma: What is the average price in the European market?

Kiran Mazumdar-Shaw: We cannot share such information with you.

Rahul Sharma: Okay, what about research on the Phase IIB, and what can be the upside for Biocon from that?

Kiran Mazumdar-Shaw: Well, we expect that if we can show some good data on Phase IIB clinical trials, we could get fast track approval for our antibody, which could see our product getting into the Indian market by the end of next year.

Rahul Sharma: And, the original rights are with the Cuban partner or what is it?

Kiran Mazumdar-Shaw: No, the joint venture has the marketing rights for the Asian subcontinent, the South Asian subcontinent.

Rahul Sharma: And for US and other markets?

Kiran Mazumdar-Shaw: That is held by a Canadian company called YM Bio.

Rahul Sharma: Okay, ma'am, thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. H.R. Gala from Quest Investment.

Gala: Hello, congratulations for good H1 results.

Kiran Mazumdar-Shaw: Thank you.

H.R. Gala: I have two or three questions. The first question relates to a slightly lower growth that we have seen in the net sales in the second quarter as compared to what we achieved in first quarter. Is there any reason for that?

Kiran Mazumdar-Shaw: It is not true. I do not know where your observation comes from.

H.R. Gala: It is coming from YoY sales in first quarter consolidated we had grown 62%.

Kiran Mazumdar-Shaw: Please do not compare us on percentage growth. Please look at actual numbers.

H.R. Gala: How will that be relevant from our perspective, madam?

Kiran Mazumdar-Shaw: Because, please understand that what you are seeing today is growth coming from existing facilities and existing capacities, okay? None of the expansion projects have actually kicked in. So you have to appreciate that this is actually getting good growth numbers from just existing capacities, and that is a tremendous challenge. Secondly, please understand that when you look at a baseline, as it grows, you cannot be achieving 100 and 200% growth numbers.

H.R. Gala: No, I am not talking about that kind of growth numbers. I just wanted to simply know that in first quarter we achieved YoY sales growth of 62%. In the second quarter it has come down to 24%.

Kiran Mazumdar-Shaw: Okay, let me explain that to you. Our business is very dependent on regulatory approvals. Last year, the patent expiry for pravastatin took place at the end of first quarter, which really saw a surge in the pravastatin sales in the Q2 numbers. Now, you cannot expect every year for some bonanza like that to kick in that is why there is bound to be variations. So please do not keep measuring quarter-on-quarter numbers. I would rather that you look at first half, and or just annualized numbers, because that is what Biocon is all about. Biocon really has to be tracked on performance on a year-on-year basis.

H.R. Gala: Okay, just for our appreciation and understanding, what kind of growth we should be looking at in the topline?

Kiran Mazumdar-Shaw: Well I do not think we can give you guidance. Because like I said, this business is not an IT model. We cannot predict growth because we are so dependent on patent expiry date, time lines. We are so dependent on regulatory approvals, and many of these are unpredictable. You do not know whether some patent extensions are going to be given or whether some regulatory approvals will be delayed. So, it is very, very difficult for us to project. All I can say is that we will have very strong growth year-on-year.

H.R. Gala: Okay, fine that is good. My second question pertains to these two agreements that we have signed in Syngene; one with Novartis and one with Nobex. So, can you just throw some more light on what is exactly the relationship with Novartis and Nobex and when can we see the revenue flow coming out of this?

Kiran Mazumdar-Shaw: Well, Novartis is a research collaboration deal where Syngene is really its research partner, which is like a sort of a contract research model. There are lot of early stage drug discovery programs are being developed by Syngene and where we see that programs like this are really increasing the business for Syngene. As far as the Nobex program is concerned, this is a very unique partnership, the first of its kind in India because this is really about an IP sharing model and a market-sharing model where we are not fragmenting the world markets into North America and Europe and India, and all that kind of thing. So, this is where both partners are going to co-develop the product where we are going to bring all the IP into one common kitty and the marketing rights will also be global. So that is a very important part of this deal. This is also the first time that a US company is willing to partner on this basis where despite WTO chips not being in place as yet, we are actually getting into a very strong IP sharing model. So that is a very important factor to bear in mind. What we are very excited about is the fact that oral insulin has a very, very interesting market opportunity because it is not just about replacing part of the insulin business, but it is also about adjusting the early type II diabetics who, today, are not on insulin, and who, through an oral, can be brought under that particular therapy. This is the exciting opportunity. I would like Chris Price to add a few words to this.

Chris Price: Thank you Kiran. Nobex is very, very happy content and proud to be associated with Biocon. We see a complementarity in our technologies and we see a unified vision of getting the oral insulin program advanced and towards the market place. We think that the opportunity around oral insulin will also lead to a deeper relationship with Biocon. We are already talking about another project that we might collaborate on. So this is a great start. As Kiran said, a very unique model and I believe, it's Biocon's first as well. So, we are very pleased and looking to continue to work on this program at a very fast pace.

H.R. Gala: Okay, thanks. Two follow-up questions on this oral insulin. How much investment will Biocon have to make since we are going to own the IP together and we are getting started from the early stage R&D work?

Kiran Mazumdar-Shaw: This is a two-year program and we will invest as much as is required. We are not able to, at this point in time, really share that information with you. But in the next two years we expect to develop this product and take it into a clinical development phase that will give us a lot of significant data. We would then be very definite about the timelines to market.

H.R. Gala: Okay, approximately when do you feel this product could see the light of day?

Kiran Mazumdar-Shaw: As I said, the real time to give this date is really within two years. I do not think we can really advance it earlier than two years, but the first two years will give you some very good data about how this product is going to pan out.

H.R. Gala: Okay, including the proof of concept?

Kiran Mazumdar-Shaw: Yes, we are planning to take it to a proof of concept and a little beyond that within these two years.

H.R. Gala: Okay, thank you very much.

Moderator: Thank you very much Sir. Next in line, we have Mr. Suryanarayan from Capital Market.

Suryanarayan: Congratulations to the management of Biocon for the good set of results. I have a couple of questions. Can you tell me what is the revenue growth in terms of U.S. revenue and Europe revenue in the current quarter?

Kiran Mazumdar-Shaw: It is commercially sensitive information, which we are not willing to share.

Suryanarayan: Okay, can I get what is the overall export growth during the quarter?

Kiran Mazumdar-Shaw: The first half exports' contribution is 65%.

Suryanarayan: Okay, what is the growth in the current quarter, second quarter?

Kiran Mazumdar-Shaw: It is around that level but the more significant number is the first half numbers.

Suryanarayan: Okay, ma'am what is Clinigene's clientele, have you added any new clients during the quarter?

Kiran Mazumdar-Shaw: Not for Clinigene. We have added a few clients for Clinigene, but the important thing that you must remember is that Clinigene has its primary role to play in Biocon's own in-house trials. It is only excess capacity that we will give out to third parties.

Suryanarayan: Okay, so far as Syngene's clientele are concerned, have you added some more?

Kiran Mazumdar-Shaw: Yes, we have added about four more clients this quarter.

Moderator: Thank you very much Sir. Next in line, we have Mr. Balaji from Sundaram Mutual Fund.

Balaji: Good afternoon everybody and congratulations to Biocon for excellent first half results. Ma'am, , what will be your insulin strategy for the Indian markets given that it is highly competitive and this is the first time you are dealing with medical fraternity directly. So what is the market share that you are expecting in the second half?

Kiran Mazumdar-Shaw: Given that it is so competitive, I do not want to share my strategy. But suffice to say that it will take us time to get an idea about what market share we can expect, but I will leave it to my colleague, Ajay Bhardwaj, to tell you about that.

Ajay Bhardwaj: We are going to be launching insulin soon and we expect to bring more and more new products, many of them either invented here or developed at Biocon to the market through our own field force, and that's how we will provide a differentiator in the market. And as you rightly said, it is a very competitive market, but the future of the Indian market will be more and more innovation-driven and innovation-led.

Balaji: Okay, thank you.

Moderator: Thank you very much Sir. Next in line, we have Mr. Dipen Mehta of Mehta Share and Stock.

Dipen Mehta: Congratulations on good results. Lot of companies have been trying to enter the statin market, some very worthy competitors , and also many small companies, some north based companies, I would not like to name. How is the Company better placed vis-à-vis this competition because the entire strategy is based on getting very good realizations post patent expiry on statin?

Ajay Bhardwaj: First of all, we believe that all competitors are worthy competitors. Secondly, as you said there are more and more people trying to enter the business. It is a very important business for us, and what I mentioned earlier as well was that it is the approval of the facility or the qualifications of the facility that is very important. I do believe we are already there. Also, your customers should have worked with your material and filed their ANDAs based on your materials. We are already there. And the third thing is the economy, the scale of manufacturing will also become important. Again this is where Biocon, with its new investment is really going to make a difference over with anybody else who is planning to enter the market.

Dipen Mehta: Basically what you are trying to say is that you have a lead-time because you have completed a lot of the actions, which you described. Is that right? Basically lead-time is the key thing?

Ajay Bhardwaj: That has certainly something to do with it. Also, there is some intellectual property behind this because even though the product patents expire, the process patents in many of these products do go on, and Biocon has an edge over anybody who does not have their own intellectual property built on these processes.

Dipen Mehta: Okay, thank you very much.

Moderator: Thank you very much Sir. Next in line, we have Ms. Vishalakshi from DSP Merrill Lynch.

Vishalakshi: Congratulations to the Biocon management on the excellent set of results. I have two questions, one is on the numbers. Can you give me as of September 2004, your overall pharmaceutical revenues of 1.47 billion, can you give me how much was the components from statins?

Kiran Mazumdar-Shaw: Visa, I do not think we can give you that. We are alerting our competitors and we do not want to give such market sensitive information.

Vishalakshi: Okay, also in the first quarter conference call, you had indicated that, EBITDA margin was skewed to some extent because of some forex impact. What is the status as of this quarter, are there any forex gains/losses? Could you update on the status?

Murali Krishnan: Yes, there has been forex gain of about Rs. 1.5 crores in the current quarter compared to a forex loss of about Rs. 5 crores in the previous quarter.

Vishalakshi: Okay, the third question is a business related one. Could you update us on the status of the supply agreement with Bristol-Myers following the recent termination of agreement for one particular deal. Can you give us the status Kiran?

Kiran Mazumdar-Shaw: We are not affected because we were not the primary source for that product. Our program is on track on inhaled insulin.

Vishalakshi: Okay, when do you expect the supply agreement to begin?

Kiran Mazumdar-Shaw: No, the supply agreement has already begun, but the point is that we now have to wait for regulatory approval and this is all dependent on how fast Exubera gets approved. As soon as the Exubera gets approved, then of course, this kind of product will quickly follow.

Vishalakshi: Okay, in fact last quarter, you had indicated that there was some kind of upfront payment, which could be expected from Bristol-Myers. Is that reflected in the numbers?

Kiran Mazumdar-Shaw: No.

Murali Krishnan: That is not reflected. Though the money has come in, it will get reflected as and when we make some sales.

Vishalakshi: And what will be the quantum, could you give us any...?

Murali Krishnan: Unfortunately not, we cannot disclose that, as part of the agreement. And as and when the sale is made, it will get reflected annually but you will not see it as a segregated value.

Vishalakshi: Sure.

Moderator: Thank you very much ma'am. Next in line, we have Ms. Shahina Mukadam from HDFC Securities.

Shahina Mukadam: I joined in late so I do not know if I am repeating the questions, but basically these are balance sheet number questions. Thanks for giving us the numbers in the first place. I was wondering what the jump in investments was for in the balance sheet?

Murali Krishnan: The investments reflects the money raised through the IPO which has been invested in liquid funds pending deployment in the Capex program.

Shahina Mukadam: Okay.

Murali Krishnan: Capex spend till date has been funded through internal accruals.

Shahina Mukadam: Okay, but then the loans also are higher?

Murali Krishnan: The loans are just working capital loans. Largely, it is working capital loans, PCFC, and to a small extent sales tax deferral loan which is interest free. That is also reflected as a part of loan.

Shahina Mukadam: Okay, that's all thanks.

Moderator: Thank you very much Ma'am. Next in line, we have Mr. Vijay Narayan from Dolat Capital.

Vijay Narayan: Congratulations on the numbers. My question is relating to your contract research side. Basically contract research we are talking about a \$75 billion market. So, is Biocon planning to expand in that front?

Kiran Mazumdar-Shaw: Obviously, we are obviously very focused on contract research. In fact, tomorrow our new research facility is being inaugurated where we will be adding 200 more people.

Vijay Narayan: And what kind of revenues are we talking about here in the coming quarters?

Kiran Mazumdar-Shaw: Well, we are not giving any guidance on that, but you can see we have really delivered very strong numbers in the first half, 70% growth is what we have seen in the first half and I am sure you will see similar kind of growth even in the next half.

Vijay Narayan: And there are many other players who are also entering in the similar stream - we already had a question on that. So, where does Biocon place itself ahead of the competition?

Kiran Mazumdar-Shaw: We are way ahead of competition and we expect to stay like that.

Moderator: Thank you very much Sir. Next in line, we have Mr. S. Jayaraj from Cholamandalam.

S. Jayaraj: Good afternoon to the team and congratulations for the recent award and the quarter numbers. I wanted to know about the Syngene research facility, which is going to be inaugurated tomorrow. I was looking at the kind of programs you were talking about; this is drug discovery programs, and what I was wondering was what kind of drug discovery you are going to do, whether this will be target identification, lead generation, lead updation, whatever?

Kiran Mazumdar-Shaw: This is mostly in the area of lead generation.

S. Jayaraj: Lead generation, that means, the target would be given by the MNC players?

Kiran Mazumdar-Shaw: Yes.

S. Jayaraj: Okay, and you have tie-ups with Novartis for this? Any other tieups in the pipeline?

Kiran Mazumdar-Shaw: Well, we have enrolled four new customers this quarter and we will continue to engage and enroll new customers.

S. Jayaraj: Okay, my other question was on the operating cost. Can I have the breakup of R&D expense, SG&A, staff cost, and other expenses?

Murali Krishnan: That information will be available on the website very soon. We will be putting our audited balance sheets and you would be able to get it from there.

S. Jayaraj: Okay. My other question was pertaining to the US market. I was looking at the number of DMFs filed. Would I be right in saying that you have 9 DMFs so far in the US?

Kiran Mazumdar-Shaw: Yes.

S. Jayaraj: Okay, fine ma'am, thank you very much.

Moderator: Thank you very much Sir. Next in line we have Mr. Abhay Shanbhag from HSBC.

Abhay Shanbhag: Just a small question on this Nobex deal, just looking at your site where Nobex says that it is already working on oral insulins, which are in Phase II clinical studies. So, does it mean that Biocon would be paying some money to Nobex because they are already probably into Phase II clinical trials, would you be paying money for them to cover some of the costs which you have already incurred in the past, or what sort of agreement would it be?

Kiran Mazumdar-Shaw: See, we cannot disclose the details of the agreement. But suffice to say that we are not giving them any upfront payment or anything of that sort. This is a core development deal where it will take some investment, but what is very important is the fact that they have done some Phase II, and we have some Phase II clinical data, which gives us the kind of confidence with which to move ahead.

Abhay Shanbhag: Okay, and a best case scenario would be like maybe of two to three years development time?

Kiran Mazumdar-Shaw: I will get Chris Price, who is here with us, to really talk to you on that.

Chris Price: Yes with respect to how long we will take to develop, we are anticipating that we will get the oral insulin molecule into the clinic sometime next year, and from that point, another year or year and a half to our first objective which is a proof of concept in Type II diabetic patients. We also, as part of this partnership, have structured the arrangements so that we can both continue to develop the product further as we wish, and so that program we will be thinking about over the next few months. We foresee the proof of concept within about two years, perhaps a little bit more depending on regulatory issues and so forth. And then after that, we will decide how much further we will take the compound before we start looking for the commercialization outlet.

Abhay Shanbhag: Okay, would there be any patent issues or would it be a full fledged NDA or how would it enter the market because the biogenerics are still not allowed, so it

would come in only after the biogenerics in insulins are allowed or what formats would it be in?

Chris Price: No, this is not a generic by any interpretation. The underlying insulin is Biocon's recombinant human insulin. But Nobex brings technology that adds a small polymer to a specific site on the insulin to give it different properties and the fact that we are doing that results in a composition of matter, and that was filed in the US this year and that will be good for 20 years.

We also expect to generate other intellectual property around this molecule, its formulation, and some of the processes to produce it and those will also provide pad and protection for some time to come. This is a full NDA program and despite that we think it will be a fairly straightforward NDA because we are working with insulin, after all, which is very well known, and we know the disease and we believe that oral delivery is going to be quite straightforward in terms of both the manufacturing cost element from Biocon side and production and our technology which enables the oral delivery. There are no oral insulins on the market nor actively being pursued in the clinics from other competitors as far as we know. So, we are really pioneering in this effort.

Abhay Shanbhag: Thanks a lot and all the best for your research.

Moderator: Thank you very much Sir. Next, we have a followup question from Mr. Balaji of Sundaram Mutual Fund.

Balaji: When do you expect to file the DMF for tacrolimus?

Kiran Mazumdar-Shaw: Q1 next financial year.

Balaji: Okay ma'am thanks.

Moderator: Thank you very much Sir. Next in line, we have Mr. Pankaj Thakker from Mandalia Share and Securities.

Pankaj Thakker: Congrats madam, very good results. You have said, we have been fully utilizing our capacity and our operating margins are also very high. So, till new products and capacity starts from where the future growth will come?

Kiran Mazumdar-Shaw: Well, the future growth will only be reflected in the next fiscal year because these coming two quarters, we will continue to make sure that we will continue squeeze as much as we can out of our existing capacities. Technology is definitely delivering very strong growth for us, and Syngene will also continue to deliver very strong growth.

Pankaj Thakker: Madam, and then new capacity starts from April and May?

Kiran Mazumdar-Shaw: Yes.

Pankaj Thakker: Okay, thank you madam.

Moderator: Thank you very much Sir. Next in line, we have Mr. Vihari Purushothaman from ICICI Securities.

Vihari Purushothaman: Just a small question on the Nobex deal. Mr. Price mentioned that you were going to add a polymer. Does this imply that you are looking at a PEG related insulin product, and if so, why are you looking at pulmonary delivery or is it a straightforward oral product that you are looking at?

Chris Price: Nobex has a focus on oral delivery of using our technology, which does in fact involve PEG molecule but also fatty acid molecule. But we have internally focused on oral delivery. However, there is no reason that our technology could not be applied to other routes of administration including, as you suggest pulmonary, and even injectable itself to get different kinds of pharmacokinetics. However, our focus initially is on the oral insulin and some other applications may develop in the future.

Vihari Purushothaman: Thanks.

Moderator: Thank you very much Sir. Next in line, we have Mr. Sai Mukherjee from BRICS Securities.

Sai Mukherjee: Good afternoon ma'am. I have one question on recombinant proteins. We are going to launch insulin very soon. Can you throw some light on the other pipeline products and when we can expect launch in the market?

Kiran Mazumdar-Shaw: It is not possible for me to give you any launch date for any more recombinant products because we are going through the regulatory approval process. We have GCSF and streptokinase in the pipeline, but these are under development. It is very difficult for us to give you clear-cut time lines, but next year we will be able to give you some time lines.

Sai Mukherjee: Okay, so in a year or two, we should expect these products to be in the market?

Kiran Mazumdar-Shaw: Yes.

Sai Mukherjee: Okay ma'am and these products you would be looking at some technology like you had looked at for insulin so that you can have an NDA application in the regulated markets?

Kiran Mazumdar-Shaw: Yes, we will examine such strategies.

Sai Mukherjee: Okay, thank you ma'am.

Moderator: Thank you very much Sir. Next in line, we have Mr. Lalit Nambiar from SBI Capital Market.

Lalit Nambiar: Congratulations ma'am. My question is for Mr. Murali Krishnan actually. It is regarding the interest and finance charges.

Murali Krishnan: Yes.

Lalit Nambiar: There is an increase in the working capital outstanding as you just mentioned, the loan from the bank.

Murali Krishnan: Right.

Lalit Nambiar: Is there a net off in interest?

Murali Krishnan: No, there is no net off. We have been able to bring down costs in terms of both bank charges and interest.

Lalit Nambiar: Okay, thank you.

Murali Krishnan: Thank you.

Moderator: Thank you very much Sir. Next, we have a followup question from Mr. Madhusudan Bagree of Citigroup.

Madhusudan Bagree: Just wanted to understand this Nobex deal a little bit more. What would you say is the time gap between let us say the most advanced insulin molecule on oral delivery right now which is there in the market and between this molecule that you will be developing with Nobex?

Kiran Mazumdar-Shaw: Well, to answer that question very simply, ours is the most advanced but I will also get Chris to come in for answering this question.

Chris Price: Yes, Nobex was the first to take an oral insulin product in the clinical study and there are other companies that have experimented with oral insulin and one called Emisphere that has actually taken it into clinical study, but they have not advanced it in more than a year. We believe from a competitive standpoint that they are at a standstill. So we regard ourselves as the leader because we have the most knowledge and the most experienced with oral insulin. There are a few academics and smaller companies are talking about developing oral insulin but not very far along.

Madhusudan Bagree: Thanks a lot.

Moderator: Thank you very much Sir. Next in line, we have Mr. Ashwin Agarwal from Akash Ganga Investments.

Ashwin Agarwal: Could you tell me if other than Biocon, whether there are any other neutral EPI players for pravastatin in the Scandinavian, Germany, and the UK market?

Ajay Bhardwaj: Yes, there is maybe one other neutral supplier of pravastatin.

Ashwin Agarwal: And could you name from which country is the supplier?

Ajay Bhardwaj: It is a Chinese manufacturer.

Ashwin Agarwal: Okay, and could you say in how many of these markets there is an authorized generic? I know about Germany, but other than Germany, is there is an authorized generic?

Ajay Bhardwaj: Well, as far as I know there is no authorized generic in pravastatin, .

Ashwin Agarwal: Okay, thanks.

Moderator: Thank you very much Sir. Next, we have a followup question from Mr. Abhay Shanbhag of HSBC.

Abhay Shanbhag: Yes, this is a followup question to Mr. Price on the insulin product, on the delivery system. I was looking at the website and it indicates that GSK and Nobex were developing this product together, and GSK pulled back in November 2003, any specific reasons for this pull back by GSK?

Chris Price: GSK was very clear in their press release about their reasons. This was during the period of annual portfolio review and they felt at that time for business reasons that oral insulin simply did not fit in their pipeline. They had two competing diabetes drugs that they were developing on, even big pharma has a limited budget, and furthermore, it was very clear that they struggled with manufacturing. They were beginning to work on the whole biopharmaceutical, but they were novices. They have no peptide drugs on the market that they manufacture and that was a very significant reason for their hesitancy. There were no scientific or clinical results that were negative during the period that we had the relationship with GSK, and quite frankly that was a dark hour for us, at that time as a small emerging company, but it has resulted in a relationship with Biocon that is a much better relationship for us.

Kiran Mazumdar-Shaw: And I might also add that the molecule we are looking at right now is a much more improved molecule than what GSK was working with. But the important thing, Abhay, is to understand that the data that was generated by the GSK trial was very, very good. So proof of concept was actually established at their end.

Abhay Shanbhag: Okay, so as Mr. Price puts it, they did not have manufacturing capabilities?

Kiran Mazumdar-Shaw: Peptide manufacturing is not their forte.

Abhay Shanbhag: Okay, so despite having Avandia, which is again in diabetes, because they did not have the capabilities, they decided not to go further with this project, is it?

Chris Price: Well they have, as I mentioned, two other Type II diabetes drugs in development

Kiran Mazumdar-Shaw: It would have competed.

Chris Price: Yes, it would have competed directly with them. In fact, my suspicion is that we may put Avandia out of business from around the market and there was probably some concern about that.

Abhay Shanbhag: Okay, fine, thanks a lot.

Moderator: Thank you very much Sir. Next in line, we have a followup question from Mr. H.R.Gala of Quest Investment.

H.R.Gala: I remember in our IPO analyst meet, there was one diabetic patient who had asked you this question that it is very painful to take shots of insulin, and why can't some discovery be made. Science is moving very fast. Tell me this insulin molecule that we will be working together with Nobex, will it be a new drug delivery system, NDDS?

Kiran Mazumdar-Shaw: It is an NDA.

H.R.Gala: It is an NDA?

Kiran Mazumdar-Shaw: It is a new drug application. It is not a generic or anything.

H.R.Gala: Okay, it is not even the r-human insulin that we are having and you will be making modifications so that it can be taken orally?

Kiran Mazumdar-Shaw: Yes, it is that. It is based on insulin, but it is based on a modified insulin, so it becomes like a new molecule. It is a new drug application. You cannot just pass it off as a generic. You have to take it through clinical trials.

H.R.Gala: Okay, and ultimately the delivery form will be in a tablet?

Kiran Mazumdar-Shaw: Yes, it is a new drug delivery system, it is a tablet.

H.R.Gala: Okay, thank you very much.

Moderator: Thank you very much Sir. Participants who wish to ask questions, please press *1 now. At this moment, there are no further questions. I would like to hand over the floor back to Sameer Narayan of Enam Securities for final remarks.

Sameer Narayan: This is to Mr. Murali Krishnan. Our inventory levels as of September ending are considerably down from the June number. Is there some trend that we should read into or something else?

Murali Krishnan: Not really.

Sameer Narayan: Okay, and the second part was, in the first quarter conference call, we had spoken about insulin exports commencing to non-regulated markets by Q3 FY05.

Kiran Mazumdar-Shaw: Well, our approval was a bit delayed. So our launch into the unregulated markets will also be accordingly delayed.

Sameer Narayan: Okay, and ma'am the last question was regarding the Biopharma revenues, let us say, see this quarter we started pravastatin supplies to UK, right?

Murali Krishnan: We commenced sales from last quarter.

Sameer Narayan: Yes, that is September?

Kiran Mazumdar-Shaw: No, no, in April-June.

Sameer Narayan: Okay, so once we see the Biopharma revenues in Q1 and Q2, there is a 5% sequential difference. Would you say that this is on account of more than expected sales to or higher price erosion in simvastatin or how do we put it?

Murali Krishnan: It is a mix up of both.

Sameer Narayan: Okay.

Murali Krishnan: The volume and product mix, both of them.

Sameer Narayan: Okay, that is it ma'am. In fact, thanks a lot for having you on board and thanks to Mr. Price also. It was so nice of him to join us for the call.

Chris Price: Thank you.

Sameer Narayan: And we wish you all the best in the future ma'am.

Kiran Mazumdar-Shaw: Thanks a lot.

Moderator: Thank you very much Sir. Ladies and gentlemen, thank you for choosing 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.