“Cadila Healthcare Limited Q4 FY16 Results Conference Call”

May 13, 2016

MANAGEMENT: **MR. PANKAJ R. PATEL -- CHAIRMAN AND MANAGING DIRECTOR, CADILA HEALTHCARE LIMITED**
DR. SHARVIL PATEL -- DEPUTY MANAGING DIRECTOR, CADILA HEALTHCARE LIMITED
DR. GANESH NAYAK -- COO AND EXECUTIVE DIRECTOR, CADILA HEALTHCARE LIMITED
MR. NITIN PAREKH -- CHIEF FINANCIAL OFFICER, CADILA HEALTHCARE LIMITED
MR. VISHAL GOR -- SENIOR GENERAL MANAGER, INVESTOR RELATIONS, CADILA HEALTHCARE LTD.

Moderator: Ladies and Gentlemen, Good Day and Welcome to Cadila Healthcare Limited Post Result Q&A Session with Analysts and Investors. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 Dr. Ganesh Nayak -- COO and Executive Director of Cadila Healthcare Limited. Thank you and over to you, sir.

Dr. Ganesh Nayak: Thank you. Good Evening and Welcome to our post result teleconference for FY'16. We have with us Mr. Pankaj Patel, our Chairman and Managing Director; Dr. Sharvil Patel -- Deputy Managing Director; Mr. Nitin Parekh – CFO and Mr. Vishal Gor -- Senior General Manager, Investor Relations.

The year gone by was a year of mixed fortunes for us as there were positive performances on various fronts and some challenges in a few areas. While our India formulation business showed improvement in growth every quarter, our U.S. business faced regulatory challenge in the form of a warning letter issued by the U.S. FDA on our Moraiya formulations facilities thus, impacting approvals of new products from that site, though we continued to receive new product approvals from our other sites. In spite of this challenge, the U.S. business continued to grow on the back of strong performance of existing products. Currency depreciation impacted the performance of our business in key emerging markets especially Brazil and South Africa though we continued to grow on a constant currency basis in these markets.

Overall, our consolidated top-line grew by 14% during the year. Once again, our U.S. business the largest contributor to the top-line was the key driver of growth. During the year, the U.S. business crossed U.S.$600 million mark in sales for the first time.

Our India formulation business, the second largest contributor to the consolidated top-line showed improvement in growth during the year despite the challenges in the form of lower growth of matured brands and the NPPA's price notification to reduce the prices of a few more drugs.

As is known, we have made sizeable investments in new technologies such as transdermals, biosimilars and vaccines, which are expected to contribute in our mid-term aspirations.

With that, first of all let me take you through the broad financial numbers. During the year, on a consolidated basis, our total income from operations was up by 14% year-on-year to Rs. 98.4 billion. Earnings before interest, depreciation and taxes was up by 36% year-on-year to Rs. 23.8 billion. The EBITDA margin for the year improved by 390 basis points to 24.2% as against 20.3% registered last year. EBITDA margin excluding the one-off impact of income

earned by our US subsidiary on sale and transfer of ownership in certain ANDAs for generic drug products stood at 23.5%.

Profit before-tax was up 47% to Rs. 21.2 billion. PBT margin for the year improved by 490 basis points to 21.6% as against 16.7% registered last year. PBT growth excluding the impact of one-off and exceptional items was 42%.

Our net profit was up 32% to Rs. 15.2 billion and in line our earnings per share also grew by 32% to Rs. 14.09. Net profit margin improved by 220 basis points to 15.5% as against 13.3% registered in last year. Net profit growth excluding impact of one-off income, exceptional items and one-off impact of additional tax expense due to the change in initial invoicing policy for the supply of products to subsidiaries was 38%.

Our consolidated debt at a gross level stood at Rs. 24.4 billion and debt net off cash stood at Rs. 17.5 billion. Net debt equity ratio improved to 0.33 from 0.47 last year. Our consolidated CAPEX for the year was Rs. 9.5 billion. This includes the CAPEX incured towards acquisition of select animal healthcare brands and the manufacturing operations in India from Zoetis, a global animal healthcare company and the acquisition of Actibile brand from Albert David Limited to strengthen our presence in the gastroenterology segment in India. Our return on net worth increased to 31.7% from 30.1% last year while the return on capital employed increased to 21% from 18.3% last year.

With that, let me share some of the highlights of operations for the year. In the U.S. generics market, based on the IMS MAT March 2016 data, we are currently the 9th largest generic company in terms of prescriptions. We launched three new products in the U.S. during the year. We filed 30 ANDAs with the U.S. FDA taking our cumulative ANDA filings to 269 and received approval of 10 ANDAs including one tentative approval during the year, taking our cumulative approvals to 103. This includes the first ANDA approval from the oral solid dosage formulations facility located in SEZ and the first ANDA approval from Zydus' own filings made from the Nesher facility in the U.S. Overall our US business posted sales of Rs. 40.2 billion, up by 19% during the year.

On the India formulation front, we maintained our leadership position in the Cardiology, Gynecology and Pain Management Therapy areas while in the Gastrointestinal, Respiratory and Dermaceutical space we continued to remain amongst the top five players in the market. We launched over 40 new products including line extensions in India during the year of which ten were for the first time in India. Overall our India formulations business posted sales of Rs. 29.7 billion, up by 11%. Growth in the last quarter was 13%.

Coming to Latin America, we launched two new products in Brazil during the year. We filed five new product dossiers with the Brazilian regulatory authority ANVISA and received

approval for four new dossiers during the year. In Mexico we launched two new products during the year, taking our cumulative number of launches to 16. We filed one new product dossier with the Mexican regulatory authority COFEPRIS taking the cumulative filings to 43 and received the approval for 12 products, taking our cumulative number of approvals to 36. Overall our business in Latin America posted sales of Rs. 2.2 billion, which, on a like to like basis excluding the currency fluctuation impact grew by 24%.

Coming to Europe, we rationalized our product portfolio by expanding the business of profitable in house portfolio so as to improve the profitability of the business. We launched three new products in France including two from India and four new products in Spain, all four from India. We file 14 new product dossiers, taking our cumulative filings to 205 and received approval for 11 new products, taking our cumulative approvals to 164 for the European market during the year. Overall our Europe business posted sales of Rs.3 billion during the year.

On the emerging markets front, we become the number one company in the healthcare space in Sri Lanka during the year. We launched eight new products in the focused markets of Asia Pacific, Africa and Middle East during the year. This included the launch of 'Pegi Hep' in Myanmar, which happens to be the first biosimilar launch in the emerging markets. Overall our emerging markets business posted sales of Rs. 4.8 billion during the year, up by 17%.

Among the other businesses, Zydus Wellness Limited posted sales of Rs. 4.6 billion, up by 3% and net profit of Rs. 1 billion up by 10% on a like to like basis. It maintained its leadership position in Sugar Free, EverYuth Scrub and Peel Off categories. We acquired select animal healthcare brands and manufacturing operations in India from Zoetis, a global healthcare company to expand our animal health business in India. We received the "Animal Pharm Award for the best company in India/Africa/ Middle East 2015" from the world's leading Pharma news publication Animal Pharma, UK. Overall, our animal health business launched eight new products in India during the year and posted sales of Rs. 3.2 billion. Our API manufacturing site at Ankleshwar successfully completed the audit by the Mexican regulatory authority, COFEPRIS during the year. We filed six DMFs with the U.S. FDA during the year, taking our cumulative number of DMF filings to 122.

Coming to our joint venture and alliances, the Zydus Hospira JV successfully completed audits by the regulatory authorities of Japan and Korea. The JV also completed the ISO/OHSAS inspection during the year. The Zydus Takeda JV was awarded the best energy efficient unit by the confederation of Indian industry at the national level. The JV was also recognized as one of the best units for excellence in environment by the Maharashtra Pollution Control Board. We received approval from the U.S. FDA for two ANDAs and one ANDA which were filed on behalf of our partners from the oncology injectable facility of Alidac Pharma located in Ahmedabad SEZ. Overall, our JVs and alliances businesses posted sales of Rs. 5.3 billion up by 13%.

On the Biosimilars front, we initiated Phase-III clinical trials for one the mAbs and received regulatory approval from the DCGI to conduct Phase III clinical trials for one more product. We continue to file the dossiers of the first generation Biosimilars in the emerging markets. On the novel biologics front, we initiated the next phase of clinical trials for Rabimabs. During the year, we received the WHO GMP certificate for the newly commissioned finished product manufacturing facility.

On the Vaccine front, we received the marketing authorization from DCGI for two vaccines of which one has been launched in India. Six vaccines successfully completed the last stage of clinical testing and were submitted for marketing authorization in India. Apart from this, five vaccines are in different stages of clinical trials.

On the new clinical entity front, we received approval from the U.S. FDA to initiate Phase II clinical trials for our Saroglitazar in patients with severe Hypertriglyceridemia. We completed Phase I clinical trial in the United States for ZYDPLA 1, a novel, next generation, orally active, small molecule DPP IV inhibitor to treat Type II Diabetes. We also completed Phase I clinical trials in Australia for ZYAN 1, a HIF-PH for treating anemia. We file an IND with the DCGI for ZYTP 1, a novel PARP inhibitor, the first IND filed in the oncology segment.

On the manufacturing and operations front, four formulations facilities viz. oral solid dosage facility, oncological injectable facility (Alidac) and transdermal facility located in Ahmedabad SEZ and the oral solid dosage facility at Baddi received the Establishment Inspection Report (EIR) from the U.S. FDA.

We successfully complete site transfer of five products from Moraiya to Baddi for the U.S. market during the year, taking the cumulative number of such site transferred products to 12. Our Moraiya facility received the India Pharma Award from UBM India for EHS Excellence. Our Sikkim formulation facility was awarded the Silver Certificate of Merit by Frost & Sullivan at India Manufacturing Excellence Awards 2015.

In spite of the challenges, our long-term objectives and strategies remain intact. We firmly believe that the goals that we have set for ourselves for the times to come are within our reach and with our proven capabilities, we are in a stronger position to leverage our strengths optimize the costs, successfully compete in the global market place and gain leadership position.

Thank you. And we will now start the Q&A session. Over to the coordinator for the Q&A. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aditya Khemka from DSP BlackRock. Please proceed.

Aditya Khemka: So sir, just wanted to check with your status of Moraiya. So where we are in terms of dialog with the FDA and are we done with the remediation measures and have we sent an invite to the FDA to come and inspect the facility yet?

Pankaj Patel: So we have completed most of the commitments which we have made and the last commitment will be completed by the end of this month or next month. On completion of that we will request FDA for an audit of the facility.

Aditya Khemka: So just a clarification on that comment, have you have the FDA sort of reverted with you when you gave them feedbacks on what you were doing in terms of remediation, did they guide you through the process or has it just been a unilateral communication with the FDA?

Pankaj Patel: We have not heard back anything from them. We would have a face to face meeting somewhere later in next couple of months once they give us time, then we will be able to exactly tell you on this. Currently, we have not heard back anything from FDA.

Aditya Khemka: Right. And sir, my second question is on this Asacol HD product which obviously we have a July you stated so, any incremental visibility on will we be able to launch the ANDA on our own or will we launch the AG ?

Pankaj Patel: We are continuously evaluating this opportunity and as and when we have clarity on the decision we will let you know. As of today, we are keeping all our options open.

Aditya Khemka: Right. And sir, just one more if I can squeeze in. On the emerging market business, I remember we call Brazil and Mexico as our home markets and given the recent currency movements there are obviously challenges in that business so can you initiatively sort of tell us what is the current profitability status of let us say businesses which were challenging previously so I think Spain was challenging, Brazil was challenging and Mexico was challenging if I am not mistaken.

Pankaj Patel: So the point is these three businesses had profit but the gap between the profit and losses have been reduced in all the markets number one. Brazil is already showing a sign of improvement because the sales growth has happened in spite of the challenges on the local market. So we clearly see the visibility of this businesses turning around and making profit in next couple of years.

Aditya Khemka: So just a follow-up on that. So what is the cost and currency growth or what is the local currency growth that you have seen in these markets?

Pankaj Patel: Definitely Aditya I will ask Vishal to give you exact specific data.

Moderator: Thank you very much. The next question is from the line of Prakash Agarwal from Axis Capital. Please proceed.

Prakash Agarwal: Sir, question on the U.S. business, if we see dollar terms we actually seeing a decline both on Y-o-Y and Q-on-Q front. Have we seen pricing pressure in the base well as HCQS any comments?

Pankaj Patel: Mainly the de-growth what we have seen is basically HCQ price erosion.

Prakash Agarwal: Okay, so that is the major part?

Pankaj Patel: That is the major part.

Prakash Agarwal: And then sir any comments you know the base business since we are not getting new approvals or getting not a large significant approval. So many companies in the last conference call mentioned that there has been high single-digit base erosion would that be true for our business as well?

Pankaj Patel: Because of HCQ yes, that is true, because of HCQ we have a price erosion happening there we believe that we will get more approvals as time will progress. We are confident that we should get approximately 20 approvals for the whole year. We have already received few approvals in fact this week also we had one more approval so we will continue getting approval and we will find some interesting product approval also in the process.

Prakash Agarwal: So this would be largely from SEZ and Baddi?

Pankaj Patel: Yeah, this will come from SEZ and Baddi and of course from our other facility in USA Nesher.

Prakash Agarwal: Okay. And just a clarification on this HCQS as you said, with HCQS you are probably high single-digit but excluding HCQS would you say our business is largely flat or would have also decline?

Pankaj Patel: There is some price erosion pressure but I do not have exact number divided between the two so I would not be able to give you exact number but there is a price erosion also in the base business.

Prakash Agarwal: And comment on your SG&A pretty flat Y-o-Y and Q-on-Q so despite the fact that remediation measures is on, so if you could help us understand what has really led to such kind of cost control?

Pankaj Patel: First of all, I think our remediation measure does not involve high cost because actually if you see these are more like we will be doing some reanalysis or may be preparing some document, etc., it does not require consultant cost and all those kind of huge cost involved in our remediation measure. Overall if you see the R&D cost has come down for the quarter and that also is a reason why you see a flat SG&A cost.

Prakash Agarwal: Okay. And lastly, on tax rates and guidance for R&D?

Nitin Parekh: So current year in 2016-2017 we expect overall tax rate to be around 20% and R&D cost would remain between 7% and 8%.

Prakash Agarwal: But sir, tax rate of 20% despite the fact we had much higher tax rate this year.

Nitin Parekh: Yeah, this year tax is higher because of two main reasons which earlier we had also mentioned – one is regarding the change in our initial invoicing policy for overseas subsidiaries whereby in the standalone accounts of Cadila we have booking of profit which is to an extent time wise a little earlier then the sales taking place at the end of overseas subsidiaries and secondly because of certain ANDA sale which took place in U.S. subsidiary which was about Rs. 87 crores and U.S. definitely has a higher tax rate compare to India we being in MAT here.

Moderator: Thank you. The next question is from the line of Kumar Saurabh from Motilal Oswal Securities. Please proceed.

Kumar Saurabh: My first question is that as you mentioned that up till now we have gone for 12 product transfers from Moraiya to Baddi, given the fact that we are closer to our remediation progress getting over. Will we be continuing to look for more product transfers or are we done with that?

Pankaj Patel: We will continue to do this on a continuous basis. Going forward we would basically follow a process of de-risking all key products from the future point of view so every product should be theoretically possible for us to supply from more than one site that is the way we are looking at it, so basically it is the part of the de-risking strategy from a long-term perspective.

Kumar Saurabh: Just for understanding, what kind of cost will it involve?

Pankaj Patel: We need to take a batch at the new site and then do a stability study and then submit and then if it is only an immediate release product then we can submit and wait for CB-30 approval. If it is control-release product, we also need to do bio. Then the additional cost will be bio and because the CB-30 the approval comes within short period of 30 days to 60 days or 90 days so then in that case we can sell the product after approval.

Kumar Saurabh: Okay, got the point. And then secondly on our India business given the fact that this year most of the companies will be witnessing pressure due to the various regulatory issues including price control impact as well as WPI deflation as well FDC ban how will these factors impact us in FY'17 and what kind of growth do you expect in FY'17 from India business?

Pankaj Patel: So from India business we expect that all these things what is happening or may happen in future could have an impact on sales growth of about 1% or 2% at the max, not beyond that. However, given that if you see the overall impact of FDC ban, it would be about Rs. 25 crores on topline and on the bottom-line about Rs. 10 crores. Price impact also will be there to some extent but I think that as is said there will be an impact of 1% or so in the growth because of this what is happening. At the same time, we see acceleration of our growth so our growth still should be better in the current year in spite of all these challenges.

Kumar Saurabh: Should be better than FY'16, right?

Pankaj Patel: Yes.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please proceed.

Surya Patra: Sir, can you just once repeat the commentary what you have given about the JVs and the kind of NDA that you have filed or something like that or the kind of approvals for the NDA that you have got under that JV?

Pankaj Patel: It is not our NDA it is somebody else's NDA. So, I would not be able to give you further details on that number one. However, we have the approval and the sales is happening now.

Surya Patra: About the JV, what is the kind of outlook that you are having though this quarter is very strong. Is it because of the NDA approval that what you have seen under JV?

Pankaj Patel: No, it is not because of NDA approval it was the other businesses. But going forward JV business we expect to remain flat.

Surya Patra: Okay. And about the kind of around 20-odd approvals what you have been giving indication for the next year, can you share what is the kind of nature of this product approval that we are expecting?

Pankaj Patel: I cannot give you specific product which will get approval because we know that what are the products but we do not know the exact products which will be ultimately approved by FDA. Based on the progress made on CRL, other things, we anticipate this number of approval from these three sites which we talked about.

Surya Patra: Okay. So but is it possible to share that okay, what is the kind of growth vis-à-vis that you are getting for U.S. region considering the kind of price correction on the base business and relatively larger chunk of our business is pure generics or limited competition products are little less in our portfolio.

Pankaj Patel: I think it is difficult for me to give you a specific number at this moment. It is still evaluated based on what feedback we receive from FDA may be next quarter we would be able to tell you more clearly about the growth.

Surya Patra: Okay, fine. And regards the R&D spend side we are now talking about I think 7% of the revenues, right?

Pankaj Patel: Yeah, 6% to 7% of revenue, yeah.

Surya Patra: Okay. And in that currently what is the mix between the ANDA filing expenses and what is towards the other new molecule portfolio or the Biosimilars or the Vaccine portfolio?

Pankaj Patel: So it is a 75% for ANDA and 25% for others.

Surya Patra: And since what is the mix change that you are seeing for the subsequent period because you are now talking about doing clinical development in the regulatory market as well.

Pankaj Patel: I think it will remain at the same level because the base has increased so the amount available will be much more.

Surya Patra: Whether the approach would that okay, we ourselves will be continuing with the developmental progress of this new molecules in the regulated market why because the budget there would be possibly much higher in that case our R&D budget will also be escalated subsequently?

Pankaj Patel: We keep on all option open but we will continue developing on our own till we find a suitable partner.

Moderator: Thank you very much. The next question is from the line of Manoj Garg from Bank of America. Please proceed.

Manoj Garg: Pankaj Bhai just on the U.S., we have around 166 pending filing now. Can you give us some color in terms of the therapeutic areas in terms of breakup of this pipeline?

Pankaj R. Patel: Yeah, I think, Vishal, can give you some data on that. Let me tell you now the data or maybe you can take offline with him.

Manoj Garg: Yeah, I will take offline from Vishal no worry, sir. Thank you, sir. Second thing, like while you have given an outlook on 20 launches for this year and given the fact that there is going to be a base impact of HCQ price erosion in the overall sales. How do you see growth panning out for U.S. market in particular and overall for company as a whole for FY'17?

Pankaj Patel: It all depends upon the product approval where the growth can vary and I would have much more clarity by the end of the first quarter and that is why I said, that I would be able to tell you specifically more about it at the end of the quarter. Today I do not want to give you a number because it depends on the product approval. We would expect the growth to be tapered but not significantly. That is what I can say today but I think specifically I can tell you by the end of the first quarter.

Manoj Garg: Sure, sir. And sir, like just want to pick-up your mind on Asacol HD. Given the fact that we are the only filer and I think like we have indicated in the past that we are pretty confident about our filing which we have made on Asacol HD. Why would one would like to go for AG if we can see the site transfer happening over the next few months?

Pankaj Patel: So that is why I said I mentioned to earlier person's question that we are keeping our options open, we are evaluating on a continuous basis. Currently I cannot specifically tell you that I am going to follow this only or that only. I am keeping my all options open at this moment. By end of July we will take final decision.

Manoj Garg: Sure. And sir, like the site transfer which we are doing right now from Moraiya to other facility we say that we have done 12 site transfer, is it for only existing product which we are already selling in the U.S. or even we have done the site transfer for some pending ANDA also?

Pankaj Patel: No, we have done currently for existing products.

Manoj Garg: And any plan for the pending ANDAs?

Pankaj Patel: Yes. We have identified products in pending ANDA also which we are filing.

Manoj Garg: Okay. And just the last question from my side, sir, as per IMS I think local Indian market showing very good traction for you guys Sovaldi and combinations. How do you see this franchisee shaping up over the next two years to three-year sir?

Pankaj Patel: I think it is an important breakthrough as far as Hepatitis C treatment is concerned and I think we have very focused marketing approach to this and we believe that we will continue our leadership in that area. The market is expected to become even bigger and larger given that it will become affordable now. So we expect the good market share into that area. Of course

almost every company has launched the Sovaldi and combination. So there is going to be competition but we will remain the market leader.

Manoj Garg: Okay. So sir, do you think that this molecule because right now I think best of the IMS number it has reached may be around 80,000 patients to a million kind of patients versus the overall potential of 20 million patients so how big this market could be sir potentially?

Pankaj Patel: I do not have the number in front of me. I do not want to guess so maybe I can provide you later.

Moderator: Thank you very much. The next question is from the line of Kartik Mehta from Deutsche Bank. Please proceed.

Kartik Mehta: Yeah, I just want to understand from you, your outlook on approval of products filed from Nesher? And again on the U.S. business we reached about 600 million US$ in this year. So just trying to understand factoring the erosion here, how do you see this over the next two years to three years assuming that the erosion at this rate will be there?

Pankaj Patel: First of all, I think we have a rich pipeline. The rich pipeline should take care of our growth going forward and we have some very important products getting into approval phase over the next two years - three years and there we would have significant sales opportunity for those products. Apart from that we have large filing, which would also ensure that the kind of normal erosion which is happening in the market place if you plan out you are smart and look at the base business there is a kind of around 4% -5% erosion happening on the base business across for years together. So we believe that our additional filings which are there should take care of the erosion and the kind of ace products should actually allow us opportunity for growth. As far as Nesher is concerned as we know that we have already received our first approval out of the products filed by us from Nesher and we will file more products from there which should also get approval.

Kartik Mehta: And Pankaj Bhai what happens to the earlier products which were there before we acquired this entity any update on those approvals?

Pankaj Patel: Kartik, whatever products when we acquire the company, the company has, after thorough review, we have dumped all the products except few. All those products which we selected have been already approved by FDA so there is nothing pending from an acquisition portfolio. Subsequently we have filed number of products from Nesher facility and those approvals have started coming which should actually give the future growth of Nesher business.

Kartik Mehta: Sure. And just one last one from my side so, if we have to look at it would you be looking at M&A in the U.S. on the manufacturing side, just trying to understand your areas of interest for M&A, if any.

Pankaj R. Patel: Yeah, as an organization we are always open to acquire; however, we are very conscious about the value which we want to pay. We would be looking at all options in U.S.-India market and including acquiring either business or brand or manufacturing facility in U.S. in particular. So we are open to look at all these options and we continuously keep on evaluating. Currently we do not have any plans to specific thing to acquire.

Moderator: Thank you very much. The next question is from the line of Anmol Ganjoo from JM Financial. Please proceed.

Anmol Ganjoo: Most of my questions have been answered but just one. If we look at this quarter U.S. number the sequential decline that we have seen is it completely attributable to HCQ and if yes, does the HCQ pricing erosion?

Pankaj Patel: Yeah, it is mostly attributed to HCQ.

Anmol Ganjoo: And it is a reflective of the full quarter?

Pankaj Patel: Yes.

Anmol Ganjoo: And going forward you think the pricing dynamics of HCQ have now settled or there is some more erosion to go or market shares have broadly stabilized?

Pankaj Patel: It is not a market share issue, it is basically price erosion issue.

Anmol Ganjoo: And you expect further pricing erosion from here?

Pankaj Patel: I do not think we expect a further price erosion now.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please proceed.

Nitin Agarwal: Sir, on our EBITDA margins I guess you know as you mentioned this quarter's EBITDA margins were partially held by the fact that R&D cost a little on the lower side. Going forward given the fact that U.S. business growth will be largely a function of new product approvals coming through. I mean how should we look at the EBITDA margins for the year going forward. I mean are we still comfortable with the 100 basis points margin improvement that we have talked about on annual basis going forward for this year?

Pankaj Patel: We should have something like that exactly, I cannot give you improvement in the EBITDA margin but I think we should be at least 22%.

Nitin Agarwal: Okay. Some bit of growth still compared to what we are in FY'16?

Pankaj Patel: Yeah.

Nitin Agarwal: And sir, on the Hospira JV now after the transaction with Pfizer is there any re-think or any discussion with Pfizer per se in terms of the scope and scale of the JV going forward?

Pankaj Patel: It is too early. Pfizer has just taken over and they are working out the strategy so we will know once it is finalized.

Nitin Agarwal: Okay. And sir, lastly on HCQ sir, for FY'16 I mean because there is a large portion of portfolio which is under sort of price erosion I mean just very ballpark is it like 20%-25% of the portfolio this is like too higher number for us for FY'16.

Pankaj Patel: FY'16, it is not 25%, it is lower than that.

Nitin Agarwal: To a total like 20% thereabout?

Pankaj Patel: I do not have the exact number in front of me so, I do not want to guess but I think it is sub 20%.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to the management for closing comments. Over to you.

Pankaj Patel: Thank you very much and we look forward to interacting with you again in the month of August for the first quarter telecom. Thank you and have a nice evening.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Cadila Healthcare Limited, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.