Piramal
knowledge action care

8th February, 2017

BSE Limited
1st Floor, New Trading Wing,
Rotunda Bldg, P.J. Towers,
Dalal Street, Fort,
Mumbai- 400 001

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block,
Bandra-Kurla Complex,
Mumbai – 400 051.

Dear Sir / Madam,

Ref: BSE SCRIP CODE - 500302
NSE SYMBOL - PEL

Sub: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript of Conference Call with Investors/Analysts

Further to our letter dated 30th January, 2017 whereby we had given the advance intimation of Conference Call with Investors/Analysts, enclosed please find the transcript of the call held on 31st January, 2017 to discuss the strategy of Pharma Business.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the conference call is also hosted on the website of the Company.

Kindly take the above on record.

Thanking you,

Yours truly,
For Piramal Enterprises Limited

Chanda Makhija Thadani
Assistant Company Secretary

"Piramal Enterprises Limited Conference Call to discuss the Strategy of Pharma Business"

January 31, 2017

MANAGEMENT: MR. AJAY PIRAMAL – CHAIRMAN
MR. VIJAY SHAH -- EXECUTIVE DIRECTOR
MS. NANDINI PIRAMAL -- EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER OF INDIA CONSUMER PRODUCTS BUSINESS
MR. VIVEK SHARMA -- CHIEF EXECUTIVE OFFICER (PHARMA SOLUTIONS BUSINESS)
MR. PETER DEYOUNG -- CHIEF EXECUTIVE OFFICER (CRITICAL CARE BUSINESS)
MR. RAJESH LADDHA -- GROUP CHIEF FINANCIAL OFFICER
MR. HITESH DHADDHA -- GENERAL MANAGER -- INVESTOR RELATIONS

Moderator: Good day, Ladies and Gentlemen, and Very Warm Welcome to the Piramal Enterprises Limited Conference Call to Discuss the Strategy of their Pharma Business. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you 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. Hitesh Dhaddha -- who handles Investor Relations for Piramal Enterprises Limited. Thank you and over to you, sir!

Hitesh Dhaddha: Thanks, Ali. Good evening, ladies and gentlemen. I am Hitesh and I take care of Investor Relations for Piramal Enterprises Limited. I am pleased to welcome you all to this Conference Call to Discuss our Pharma Strategy. We have also uploaded a Presentation for today's call on our website. You may like to download it as we may refer it during the discussion.

The discussion today may include some forward-looking statements and these must be viewed in conjunction with the risk that our businesses face.

On our call today, we have with us our Chairman -- Mr. Ajay Piramal; Mr. Vijay Shah -- our Executive Director; Ms. Nandini Piramal -- Executive Director and CEO of India Consumer Products Business; Mr. Vivek Sharma -- CEO of Pharma Solutions Business, who is joining us from Boston and Mr. Peter DeYoung -- CEO of Critical Care Business; and we also have Mr. Rajesh Laddha -- our Group CFO.

With that, I would like to hand over to our Chairman and would request him to share his thoughts. Sir?

Ajay Piramal: Welcome to this con-call. Our relatively recent foray into the financial services business and its fast pace growth track record has overshadowed our strong presence in the pharma segment of the business. Hence, we decided that today's call would be dedicated only to focus on the developments and our future plans in the pharma vertical of Piramal Enterprises.

Pharma has always been and will continue to remain an important focus area for the Company. And we remain strongly committed to grow this vertical. The pharma vertical of Piramal Enterprises is uniquely positioned with a strong presence both within and outside India. Within our pharma vertical we have two large businesses: the global pharma business which sells pharma products and services globally; and the consumer products business which sells OTC products in India.

Before I move on to talk on each of these businesses in more detail, I would like to highlight that our pharma vertical has been delivering good growth in the last few years post the Abbott deal.

The pharma vertical has grown organically at a CAGR of 17% over the last five years generating a revenue of Rs. 3,558 crores at the end of March 2016. To further boost our growth in the future, we have carried out seven acquisitions, investing Rs. 3,000 crores in the last two years. We have acquired two pharma businesses - Coldstream into Injectables and Ash Stevens into High Potency API. Both of these are in the U.S. Two pharma product portfolios that contain differentiated branded generic products from Janssen and the latest one from Mallinckrodt. In the consumer products portfolio in India, we have acquired four brands from Pfizer, five brands from Organon India & MSD, and the Baby-care brand 'Little's'.

All these acquisitions are expected to grow our pharma revenues by 21% to over Rs. 4,300 crores on a proforma basis that is if we assume that all these acquisitions were part of the business for the financial year 2016. And thus, in 2016 on a proforma basis, we would have a sales of Rs. 4,300 crores.

Global Pharma business

Before I talk about the future strategy, I would like to briefly touch upon how we are positioned in the global pharma business. In our global pharma business we have: one a strong portfolio of niche differentiated branded generic products that are complex to manufacture, sell, and distribute. We have end-to-end manufacturing and service delivering capabilities both for APIs and formulation including niche capabilities in Injectables, High Potency API, Antibody Drug Conjugates, Inhalation Anesthesia, etc. We have manufacturing facilities located both in the east and the west most of which are US FDA approved. A large global distribution network reaching to over 100 countries through dedicated sales force and distributors and a strong presence in key geographies of North America, Europe, India, and Japan.

With these strong attributes, we sell niche differentiated pharma products in over 100 countries of the world and provide an entire pool of pharma services including some of the most complex services to a large number of large and mid-sized pharma companies.

We have a strong focus on compliance, quality, reliability, safety, health, and environment. We have a strong quality governance model with the quality function reporting to a board member. This autonomy provides quality with necessary authorities to focus solely on compliance and product safety. Quality is part of the KRAs of employees including the business CEO and the entire leadership team.

We have 14 manufacturing sites globally; all key manufacturing sites are US FDA approved. The strong focus of quality and compliance gets reflected in our performance. We have an excellent track record with all the regulatory authorities including the US FDA. There has been no single instance of stoppage of production or any negative publicity due to any issue raised by the US FDA or any other regulatory authority.

In the last five years, we have successfully cleared all the 24 US FDA inspections, 43 other regulatory inspections, and 560 customer audits. In fact, the Company, the Business Head, and Quality Head have been individually recognized at reputed global and domestic forums.

Over the last few years, we have strengthened our presence in North America and Europe. In fact, a large portion of manufacturing and selling happens from these two regions. Around 70% of our revenues from the global business come from North America and Europe. Around 70% of our global assets are also located in these geographies.

We have four plants in North America, three in the U.S. and one in Canada and the two plants in the UK. These plants include our facilities to manufacture niche product including Sterile Injectables, ADC, High Potency APIs, Inhalation Anesthesia products, etc. We have 30% market share in Inhalation Anesthesia in the U.S. and we are continuing to strengthen our distribution presence in the key European countries like UK, Italy, Germany, etc. Although in the rest of the world we sell through distributors, in these two regions i.e. America and Europe we have a dedicated sales force to sell our products.

This global business also has a significant presence in India. Manufacturing in India does provide a cost advantage. Despite the fact that majority of our business happens outside India, about 30% of our global business assets are located in India, with over eight manufacturing facilities that help not only in keeping our cost under control for both API and Formulations but helps us getting more market share in our product business and attracting top clients for the pharma services.

As we look at the future strategy, we are now focused towards rapidly moving up the value chain. To deliver on this strategy, we have acquired these two global businesses with niche capabilities of Injectables and the High Potency APIs in North America along with a technically qualified team and a pool of loyal customers.

We are investing in expanding the manufacturing and service delivering capabilities in niche areas of ADC, Injectables, Anesthesia, and Discovery Services.

We are adding differentiated niche hospital generic products both organically and inorganically. We acquired two differentiated niche hospital generic product portfolios in the areas of Controlled substances, Injectable Anesthesia and Intrathecal Pain Management. One portfolio we acquired from Mallinckrodt that we announced recently and another one from

Janssen that we acquired in October 2016. I will request Peter to later talk a bit more about these acquisitions. These products complement well with our existing Anesthesia product portfolio.

The combined strong product portfolio that we have created now will effectively leverage our large global sales force and distribution network.

Organically, we plan to launch Desflurane, latest generation of Inhalation Anesthesia, being the only competitor to the originator Baxter.

The products that we are adding have a high entry barrier as they are complex in terms of manufacturing, selling, and distribution resulting in limited competition. Through addition of these niche products we have expanded our addressable market size from $1 billion in the Inhalation Anesthesia market to a $20 billion generic hospital product market.

From a large service model we are now transforming ourselves towards more and more products, increasing share of high margin niche products in our revenue mix which was 24% in FY 2009 to 41% in FY 2016 and 49% if we add these last two acquisitions on normalized FY 2016 numbers. We want to leverage and expand our end-to-end manufacturing and service delivering capabilities. We have a good traction in services for the development business and integrated offerings. Injectables and the High Potency API acquisitions will enable us to cross sell our capabilities of Discovery, ADCs, and development, and commercial scale manufacturing for formulations and API. These strategic initiatives towards moving up the value chain are expected to deliver strong top-line growth and significant improvement in our margins.

The global pharma business revenue grew at 18% CAGR over the last five years. With these strategic initiatives, we believe that we will continue to deliver strong growth in the future. The global business has generated an EBITDA margin of 17% last year. This margin profile has been improving consistently in this business since the Abbott deal. On Proforma basis our EBITDA margin would have gone up 21% with the last two acquisitions. By 2020, through the earlier expanded initiatives, backward integration and other cost improvement initiatives, we expect to deliver EBITDA margins in line with the better players in the industry.

India Consumer Business

I now move on to the Indian consumer products business. You would recollect that in 2010, we sold our Domestic Formulations Business to Abbott. But, at that time, we had the conscious strategy to retain our consumer business because we did feel that this had a good growth potential in the future because of the emerging market in India and this business position to take advantage of India’s growth story whether it is India strong demographic and we have built a solid brand portfolio that has been created organically and through acquisitions. The portfolio of brands is focused on niche areas of routine disruption. All these brands are either number one or number two in their respective niches. In fact, we have today six brands amongst the top 100 OTC brands in India.

Over the last few years, we have significantly strengthened our distribution network which is now comparable to the top three OTC players in the industry. We are growing rapidly in this business. We are present today in 1,500 towns as against 16 towns in FY 2008. We have reached 4 lakh outlets today as compared to 24,000 in FY 2008. We have a large field force of around 2,000 people. This field force is keeping in mind our goal of becoming the number three top player in the industry.

Our distribution capability has become a key strength with many companies approaching PEL to partner in distributing their products across India.

Along with the strengthening of our distribution, we have also been adding product both organically and inorganically. We are focusing on brand extensions and we have launched multiple new products such as QuikKool, Stop AllerG, Throatsil, i-can, i-know, and Untox. We have also recently acquired in the last 18 months four brands from Pfizer, five brands from Organon & MSD and Baby-care brand ‘Little’s’.

PEL’s business model allows it to integrate acquisitions in an efficient manner while also providing opportunities to realize significant cost synergies. In terms of numbers, Indian consumer product business grew at 18% CAGR over the last seven years improving its ranking from 40th in FY 2009 to 5th currently. Our strategy has been working well and the consumer products business is evolving into a strong player in the Indian OTC market.

During the first-half of 2017 the business has grown by 53%. Our ambition is to become one of the top three OTC players by 2020 through the integration of acquired products, addition of more products both organically and inorganically and tapping e-commerce, rural, exports and alternate opportunities. The business targets to deliver Rs. 1,000 crores revenue by FY 2020.

Overall for pharma vertical we target to achieve a revenue in the region of Rs. 6,500 crores to Rs. 7,000 crores in FY 2020 delivering an EBITDA margin in the range of 20% to 25%.

Another important factor is that in Imaging, we plan to stop our investments during this calendar year as well.

Now, I would like to hand it over to Peter to talk to us about the two recent acquisitions that we have done of Janssen and Mallinckrodt. Peter?

Peter DeYoung: Good morning and Good evening. I will describe in this section both the key elements of these two transactions as well as why we are excited about them and some of the synergies we expect to realize with them.

First transaction I will describe is the recent acquisition of five Injectable Anesthesia and Pain Management Products which we acquired from Janssen in October of 2016 most of these products are controlled substances. The acquisition includes brand names and all related IP associated with these products, including know-how to make both the API and the finished products. We paid an upfront consideration of $155 million and we could pay an additional $20 million, if the product portfolio achieves certain agreed financial milestones over the next 30 months.

Why are we excited about this particular transaction?

We see a number of exciting synergies with these products. The first is that these fit well with existing niche branded generic product portfolio that is complex to sell and distribute. Being controlled substances these are not straight forward to sell and distribute across various markets and they are very complementary to the overall products which we already sell in a number of these markets. Therefore, we can maximize the value from our existing sales infrastructure and partner network into hospitals. And further this allows us to expand our presence in the EU, Japan, and large emerging markets increasing our presence in these markets and also boost the sales of our existing products.

Additionally, this gives us the potential to expand the revenue of the acquired products because they are not being actively promoted by Janssen in most countries and with our dedicated and focused attention we believe there is an upside in these products.

Further, this allows us to expand and start to address the larger global generic hospital drug market which we estimate to be larger than $20 billion in size. Further as mentioned before, these are products for which the number of competitors are fewer than many other generics and that is because a number of these products are controlled substances. Restrictions and complexity around the way you sell and distribute these products will most likely limit a number of players that can offer these in most markets in which we compete. All of this together allows us to experience and enjoy high EBITDA margins of these products as we integrate them into our overall platform and increase the profitability of our pharma business in aggregate.

You will notice some similar themes between the transaction I just described and the transaction we recently announced which Mallinckrodt which I will describe next. The common theme is that we are looking to add complementary products to our existing distribution and operations capabilities in the market in which compete. So, in the Mallinckrodt transaction we announced yesterday that we are going to acquire a portfolio

Specialty Intrathecal Spasticity and Pain Management Products. The lead commercial product includes Gablofen or Baclofen which is an intrathecal administration for treatment of severe spasticity and also two under development intrathecal pain management products. These products specifically Gablofen are currently marketed in the US and are approved for launch in eight European countries. For this, we are paying an upfront consideration of $171 million and we could pay up to an additional $32 million based on the financial performance of the acquired assets over next three years.

Why are we excited about this transaction?

The first is that Gablofen has been used by doctors and hospitals and allows us to leverage our existing US operations and capabilities and complements our existing critical care portfolio. Second, the specific presentation for Gablofen are preferred by many users because of their Prefilled Syringes and Vials which are safer and more convenient than the alternatives available to user in these markets. Third, access to niche market diversifies our offerings in the US market and allows further growth within the global generic hospital drug market which we estimate to be more than $20 billion in size. Further, we believe that there are limited alternatives for this type of therapy available in the market or under development by other players for our patients and because there are fewer alternatives around the horizon and few competitors for the current offering we believe therefore, we can experience and should continue to experience attractive EBITDA margins and therefore also this transaction will increase and make more attractive EBITDA margin of the critical care business as well as our pharma business in aggregate. And with these two transactions together we have now added attractive complementary products to our existing sales and operations channels in most of the major markets in which we compete for critical care.

This concludes our description of these recent two acquisitions and why we are excited about them and I think, now we will turn it over to questions for the group.

Hitesh Dhaddha: Operator, you can take questions.

Moderator: Certainly, sir. Thank you. . Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Kumar Saurabh from Motilal Oswal Securities. Please go ahead.

Kumar Saurabh: My first question is when do we plan or is there a plan to demerge the pharma business into a separate business given the fact that now this business is again gaining strength as well as scale?

Ajay Piramal: Yes, so, as we have said earlier we do have plans to demerge the business and we will do it sometime in the medium-term.

Kumar Saurabh: Sorry, sir, so by medium-term we mean like few years? Or is there like a goal in mind that we reach to certain scale and then post that….

Ajay Piramal: I think what we are doing and you will see that at the results of the current year as well. Try and make it much more transparent so there was a strong feeling by investors and analyst that we should have more transparency and the difference and to understand what is the financial services as well as what is in pharma. So, we are trying to do that this year and then over the next few years I would say we will separate it out.

Kumar Saurabh: Sure. So, typically when we look at the Indian peers, our business in pharma division is little unconventional I would say when we look at your peers except the OTC business which we are into. So, while acquiring these new businesses which we have done set of assets which we have acquired, what has been the thought process, or what has made us buy these assets?

Ajay Piramal: These assets actually fit in with the existing assets that we had let us say Inhalation Anesthesia. What is the common thing in these? Actually though they are generic they are branded generic and they are difficult to enter. There are natural barriers to entry in this. One is that many of these are complex in manufacturing or even in the sales and the distribution set-up these are difficult to do. And hence, these remain over time, their margins continuing to remain as what they were first introduced. Unlike other generic product which sees a lot of competition and margins going down. So that is really the common thing hence, we are going in for such products which is differentiated from other companies, yes.

Kumar Saurabh: Sure, sir. And sir, this the new base of Rs. 4,300 crores of revenue and from there we are targeting Rs. 7,000 crores roughly sales in next few years. From here on how the growth path would look like as in how much of this would be through the inorganic route and what kind of organic growth we should expect the base business which we have now.

Ajay Piramal: So, in this most of the growth will be from the organic route. We could have a couple of acquisitions more during this period. We made significant investments in the last few years and there will be some more investments in the organic side. So, we are expanding capacity today and I feel that there could be a couple of more acquisitions but most of it otherwise will be through organic means.

Kumar Saurabh: And sir, when we say most of it do we want to quantify what kind of…

Ajay Piramal: We have quantified to some extent in the OTC, we said that we will look towards getting to a revenue of Rs. 1,000 crores which is in the region of about Rs. 400 crores today. So, we will get to Rs. 1,000 crores and we would have probably an acquisition or two over there. In the other spaces I think we will build on one acquisition and the rest will grow through these.

Kumar Saurabh: Okay, sir. And sir, most of the assets as you said that we have acquired, during this process how strong our inherent R&D team has become? And what role they will play going forward?

Ajay Piramal: Our R&D team we have been building at investing during the last two or three years and it is going to play a significant role as far as the organic growth is concerned. So, when we talked about organics these will be the products which the R&D team is developing.

Kumar Saurabh: So, how should we look at or being an outsider how should we quantify that growth in terms of do we have a product pipeline or products under development in mind?

Ajay Piramal: We do have a product pipeline, we will share with you a little later. What we are trying to do is make products which are a little difficult to manufacture these are not the standard tablets and all that you would get normally. These are more complex products that we would get but overtime I think what we are looking at is today, if you look at it about half of our revenue comes from product on the global scale and half of it is from services. We are going to increase this half to may be somewhere in the region of two-thirds to three quarters will be in products and the rest will services.

Kumar Saurabh: And this we are talking about the same 2020?

Ajay Piramal: Correct.

Kumar Saurabh: Okay, sir. And sir, as we can see in the presentation the imaging business is pulling down the profitability growth. I believe this we are getting rid of this year, we have already done or it is still under process?

Ajay Piramal: So, it is in process. So, I think you will see that in this calendar year we will have scaled it down. There will be no further investments here.

Moderator: Thank you. The next question is from the line of Nischal Shah from Reliance Mutual Fund. Please go ahead.

Nischal Shah: Sir, there are three sub-segments within pharma critical care, CRAMS, and OTC. If you could give some understanding on the EBITDA percentages as of now and how would those look like say in 2020 for each of these three segments?

Ajay Piramal: We are not separating out EBITDA for each of the segment. I can say overall if you look at these acquisitions that we have already done on a proforma basis our EBITDA as far as the global business is concerned will be 21% and we expect as far as the OTC business is concerned frankly we are not concentrating too much on EBITDA because we are building the business trying to spend on the sales distribution and the top-line and building the brand. But that is an overall I think that by 2020 our EBITDAs will be in the region of about 20% to 25% overall in the pharma business.

Nischal Shah: Okay. And sir, when is the non-compete agreement with Abbott getting over and is there any plan of again going back to old business?

Ajay Piramal: So, the non-compete is getting over in September 2018, other plans we have not yet decided.

Moderator: Thank you. We will take the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Sir, just wanted to understand, given that we have done these two acquisitions and the target that we have mentioned, I am assuming all of that would be based on the organic growth. But do we have appetite for doing more acquisitions to sort of build out a portfolio particularly given the branded business requires augmenting to leverage on the sales force that we would have?

Ajay Piramal: We have always looked at acquisition that if there is a strategic fit and if we feel that they are value creating then we will do the acquisition. So, we do have an appetite in that sense if we find that there is strategic fit as I said and it makes sense in terms of return to shareholders yes.

Neha Manpuria: And would this be restricted to U.S. because you also made reference to Japan in the Presentation. So, would that be one area where you would be interesting in because you are seeing a lot of players expanding presence on the Japanese business.

Ajay Piramal: Yes. Japan could be of interest.

Neha Manpuria: And sir, on the products that we have acquired do we see any generic risk in the medium-term on these products?

Ajay Piramal: I will ask Peter to answer this. Peter?

Peter DeYoung: So, I think in any such categories you should always expect over the medium-term to long-term there could be increased competition. However, we do believe that the rate at which competition could enter and number of competitors who could enter would be more muted and less than many of the more standard categories in which we are not currently committing.

Neha Manpuria: Okay. And sir, if I were to look at the products that we have in our portfolio are there any one or two products that disproportionately contribute to our revenue and therefore there is a bigger risk there and till when do we have exclusivity for the product?

Peter DeYoung: So, we are actually quite excited about these two transactions is that we diversify the overall product revenue whereas before these transactions we were heavily relying under innovation product revenue for our business and through these two additions we actually are able to diversify our revenue and allow us to have lesser single product or single category risks. So, actually one of the additional advantage is actually de-risking in terms of any one product.

Moderator: Thank you. We will take the next question from the line of Prashant Nair from Citi Group. Please go ahead.

Prashant Nair: I have a question related to Desflurane. Can you give an update of where do you stand now with respect to launching this product in the market?

Ajay Piramal: So, we hope to launch it somewhere towards the end of the next financial year. The FY 2018 towards the end of that year.

Prashant Nair: And this is something which your settlement allowed you to launch sometime back so, have you resolved everything related to say either the manufacturing or whatever was holding back the launch or do you still have to do some additional work on that front?

Ajay Piramal: There is some additional work and we need some FDA approvals from the regulatory authority so that is why I am assuming somewhere towards say 12-month period.

Prashant Nair: Okay. And just following up on that, can you give us a sense of what's the pricing dynamics or market share gain for a new entrant looks like in this kind of a product?

Ajay Piramal: Peter, you want to answer that?

Peter DeYoung: So, I think it would really depend on when we are able to launch and I will just point you to IMS data and look at other examples of first generic launches and that could probably guide you to what you could experience for a share and pricing overtime.

Prashant Nair: Okay. So, when you say first generic launches, we look at first generic launches for any hospital based pharmaceutical product?

Peter DeYoung: There is only one first generic competitor.

Moderator: Thank you. We will take the next question from the line of D. K. Desai from Tata Capital. Please go ahead.

D. K. Desai: Sir, I have two questions one is related to last couple of acquisitions that we have done, I think if I understand correctly we believe in a philosophy where we buy targets where there is something or some area of weakness whereby we can improvise upon and hence we get a better value realization. If you look at the last two acquisitions it looks like that we have paid a fair value for that. So, do you think that it fits into the bucket of the earlier philosophy or because it makes more strategic sense we have gone ahead and paid a fair value for the last two acquisitions?

Ajay Piramal: So, it is a combination of both. We have paid fair value because we always pay a fair value but I think it did make a lot of strategic sense as we explain to you earlier that these are difficult to either manufacture or distribute products and there is very limited competition in these products even though they are generic products because they are branded and they are difficult to manufacture or sell. On the other hand, we must realize that, there was no attention being paid to these products either by Janssen or Mallinckrodt. Those are two both large businesses and they would focus more on their IP protected product plus we believe that with our sales and distribution focus given we should be able to do more than what they were being done.

D. K. Desai: Okay, got it. Thanks. My second question is related to the imaging business sir. So, when we are saying that we are scaling down the investment in that business does it mean that the launch of NeuraCeq in U.S. market is also on hold or are we kind of not going to do the launch in the U.S. market or is it for the newer product pipeline that we kind of stop making investment?

Ajay Piramal: No, even for the existing what we are looking at is how we can monetize value from this. If not, we want to definitely stop the investment because we believe that there is a drain on the profits of the business so we want to actually cut those down.

D. K. Desai: Okay. So, even NeuraCeq the launch is something we will try to monetize that rather than launch it on our own right?

Ajay Piramal: Yes.

Moderator: Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: On the OTC business as you mentioned, we are today at about Rs. 400 crores business and the aspiration to be like Rs. 1,000 crores. We have still a fairly large gap to cover over the next three year to four year period that we are really putting out in the forecast period. So, how do you see the business (a) in terms of the area, so is it largely going to be inorganic growth business or from organic perspective we probably going to hit a sweet spot where the growth is going to materially accelerate or there is something happening in the environment which will enable the business to accelerate more than what we have been doing for the last two years, three years.

Ajay Piramal: So, in the last two years, three years what we have been doing is we have been investing in the infrastructure to do a large business and thus we have increased our distribution as I said, we have increased our base therefore. We have also improved on our ability to successfully launch new products. So therefore, we believe that growth from organic growth will be higher also with all these acquisitions that we have done in the last 18 months these will start contributing and will add to the organic growth now because these were brands which were really ignored till now or the company that we acquired them from did not have this reach that we have today in sales and distribution. So, that will add to organic growth and yes, we will do one or two acquisitions during this period. Actually if you look at it is very similar to the strategy that we have done in our branded generic formulations business when we were in the domestic business in India.

Nitin Agarwal: In terms of the competitive landscape on the OTC piece I mean how do you see the landscape really playing out, are we seeing more players willing to invest as many resources as probably you have done and you are aiming to do or is there a competitive advantage for us or how do you see that bit playing out?

Ajay Piramal: Actually it is a mixed bag. Some of the MNCs are looking aligning their portfolio in India with the global portfolio and therefore, some of the brands they are shredding so, that is what we could acquire the brands from Pfizer and MSD because these did not trigger into their global portfolio. Some of the brands which are RX are moving towards OTC and again these companies do not want to necessarily invest in OTC. On the other hand, I am finding that some of the domestic companies are now increasing their focus on OTC. So, it is mixed bag as I said.

Nitin Agarwal: Okay. And secondly on the pharma business, this business has been with us and been a business for a while the contract manufacturing piece of the business. I mean how has the business really evolved over the last four years or five years and where do we stand now and what are we looking at over the next four years to five years on that piece?

Ajay Piramal: I am going to ask Vivek Sharma the CEO of our business to talk about this. Vivek.

Vivek Sharma: Okay. So, you know pharma solutions business today we are a global end-to-end provider of services with the capabilities that we had earlier and the expansion through acquisitions that we have done over the last three - four years are one of the unique providers with capabilities in three continents Asia, Europe, and North America where we can provide end-to-end services to our customers. So, we can do from early phase discovery to early phase API, late phase API, formulation with the Injectables and High Potency API to our customers and there are several customers that are coming to us. So, we remain focused on adding value to our customer, become more integrated with them, provide more broad services through niche capabilities of Injectables, High Potency to them and then become more valuable player. Our margins have expanded and business has done well. We have gained significant customer organically as well as inorganically and we are committed to grow our foot print become more integrated with our customers.

Moderator: Thank you. We will take the next question from the line of Kumar Saurabh from Motilal Oswal Securities. Please go ahead.

Kumar Saurabh: Sir, are we giving the debt number in the pharma business if at all we have that?

Ajay Piramal: No, we are not separating the debt now.

Kumar Saurabh: Okay. So, sir, so, when we say that Rs. 3,000 crores of investment has gone into pharma business that would be debt as well as internal accruals, is this the way we should look at it?

Ajay Piramal: Yes.

Kumar Saurabh: And this is the new investment apart from the existing business which we have.

Ajay Piramal: Yes.

Moderator: Thank you. We will take the next question from the line of Nandita Parker from Karma Capital. Please go ahead.

Nandita Parker: Just on the imaging business I know we discussed it before and it is pretty disappointing that the market for Alzheimer's, it seem to be a very promising product, going to be sort of not investing further in that. And I was just wondering could you just update us on what exactly happened with the insurance companies and is that something that just not going to occur in the next couple of years in terms of getting reimbursement?

Ajay Piramal: So, frankly, if I may say that the disappointment in this area was when the Lilly drug for Alzheimer did not do well. There was a lot of hope on that, it did not perform as as per expectations as you know and Lilly had to actually cut short that was the big disappointment.

Nandita Parker: Okay. What you do even if you find out you are going to get there is no cure for it.

Ajay Piramal: Yes, it is going to be a longer period and therefore the waiting time is longer. I think if we have the patience to go on for a few more years it may make sense but we felt that the risk return does not justify such a long period.

Nandita Parker: Okay, great. And just in terms of allocation of capital between pharma versus financial services. Could you give us a little indication on that what your expectations are?

Ajay Piramal: We will give it over time not at this moment, no we do not have.

Moderator: Thank you. The next question is from the line of Rohith Potti, Individual Investor. Please go ahead.

Rohith Potti: So, my question is on the acquisition front. I was wondering if you can give us more detail on how the leads on this acquisitions are sourced and if there is a process within our company to basically judge the acquisitions on whether they have met the initial goals of need these acquisitions. For example, if we take either 'Little's' or Janssen acquisition, let us say three years, four years, five years, down the line is there a metric or is there a method to which you measure the acquisition and take some learnings out of it or decide this is not working well.

Ajay Piramal: So, that is we have a very rigorous process for review each acquisition on a regular basis. Our CFO is also here and he ensures that there is an objective evaluation of each acquisition over a regular period. So, every six months in fact we evaluate whether the acquisitions, there is a case which is made out at the time of acquisition that this going to be the sort of profitability and the return that we expect and then these are reviewed periodically to see whether we are meeting those expectations or not. And not only it is reviewed internally even the board has the discipline to review it so, it is thorough process that is done.

Moderator: Thank you. We will take the next question from the line of Alok Agarwal from Striver Capital. Please go ahead.

Alok Agarwal: You have three-disparate business in the pharma as such they are very independent of each other. I mean each acquiring a different thought process how to scale up. And in the last two years let us say if I shutdown the NCE research business and how you are scaling down the imaging business. Is there any fourth or fifth line apart from these five to which we all shut down and one scaling down which are small in size which can become bigger in next two or three years?

Ajay Piramal: No. Really if you look at it these are the three businesses that are there whether it is pharma solution, critical care, or the OTC. In some way there is a commonalty as far as the critical care and the pharma solutions business is concerned. the commonalty comes in terms of the whole system of quality and the regulations which is very important a fair of amount of commonalty comes in the development phase and in the manufacturing. So, in that sense there is a commonalty the sales are different. But there is no other smaller business which I would say has the huge potential or on the hand is really eating up our capital.

Alok Agarwal: Second is I mean future let us say if I look at three years to five years hence, I mean bulk of the CAPEX is going to be from the internal accruals or are going to put more money behind it.

Ajay Piramal: I think by and large it will be from internal accruals.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Hitesh Dhaddha for closing comments.

Hitesh Dhaddha: Thank you everyone for participating in the call. In case you have any other question please always feel free to reach to me or my team. Our contact details are mentioned on our Company's website. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Piramal Enterprises Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.