



SHASUN CHEMICALS

ANALYSTS/INVESTORS CONFERENCE CALL

January 19, 2007

Moderator

Good afternoon ladies and gentlemen. I am Monali, the moderator for this conference. Welcome to the Shasun Chemicals conference call. For the duration of the presentation all participants' line will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to hand over to Mr. Govindarajan, CEO and MD of Shasun Chemicals.

Thank you and over to sir.

Govindarajan

Thank you Monali. Good afternoon everybody and thanks for joining the call and I have got Mr. Vimal Kumar, whole time director and Manab Mitra, the Chief Financial Officer of the company joining me for the call. Just summarizing the results till date for the year, you would notice that there is a clear shift in terms of the business model from the so called one or two product company, which it has been termed as in the earlier, towards the CRAM's model and CRAM's has contributed to 40% of the consolidated revenues till date for the year. Although Ibuprofen has also posted good growth of 40% compared to the last year, the overall contribution from this product is down to 30% of total revenue compared to 50% last year. There is also a good growth in ibuprofen derivatives, it has grown to an extent of 25% compared to the last year for the same period. We have seen a decline of 60% on ranitidine while nizatidine has grown by 20%. Other products contributing to 8% of total revenue represents mainly the sale of physiological coolant from our UK assets. The profitability for this quarter is down by 6% mainly due to the shift in sales in both locations to next quarter and also there is a higher sale of Ibuprofen leading to lower margin. Decline in sale of ranitidine has also added to decline of profitability, but overall we expect to end this year with 100% growth on top line and 35% growth on bottom line on a consolidated basis. We are open for the questions further Monali, you can go ahead and connect the participants.

Moderator

Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions may please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking questions. To ask a question please press *1 now.

First in line we have Ms. Madhu Das from SKI Securities.

Madhu Das

Good afternoon.

Govindarajan

Good afternoon.

Madhu Das

My question is regarding the Rhodia facility. You had earlier said that this is expected to breakeven in H2, do you still maintain the same view.

Govindarajan

Yeah, we have always maintained that the UK facility would breakeven next year and even report profitability in our estimation. It would even break even in quarter 4 of this year.

Madhu Das
Quarter 4 of this year?

Govindarajan
Yes.

Madhu Das
And Sir, you were expecting a 50% growth in CRAMs?

Govindarajan
Yes, that is for the standalone basis.

Madhu Das
Sir, what has been the actual growth on the standalone basis?

Govindarajan
Compared to the previous year period of 9 months, yes, it is less, but we are still confident of achieving the 50% growth in CRAMs. The billing of some validation lots got shifted to next quarter pending approval of samples.

Madhu Das
So, this would be in the next quarter?

Govindarajan
It will be recorded major in next quarter.

Madhu Das
Okay, thanks a lot.

Govindarajan
Thank you.

Moderator
Thank you very much Madam. Next in line we have Mr. Bhavin Shah from Amit Nalin Securities.

Bhavin Shah
Hello good afternoon sir.

Govindarajan
Good afternoon.

Bhavin Shah
Sir, as we have seen in the past few quarters, I mean, you really kept up with your statement of reducing your dependence on majority products and building of the CRAM's portfolio and that is what we have seen in this quarter. Now if I have to understand, where is the turnover growth going to come in FY 08 if you could just help me figure out that. Now, what is the step ahead in the next year?

Govindarajan

The major growth still would come from CRAM business and the gabapentin business, which is a new business started off this year. The sales of this product is effective only for 7 months this year, whereas full year figures would reflect in the next year for gabapentin. Further growth would also come from CRAM business and the majority of it coming forth from India and the UK operation, besides formulation revenue should kick in from second half of the next financial year.

Bhavin Shah

Okay and this is the first two contracts that we had earlier signed with?

Govindarajan

Glenmark and Alparma. We are now awaiting for the US FDA instructions to happen.

Bhavin shah

Okay so when do you believe that would happen?

Govindarajan

We hope that it should go through in February 2007.

Bhavin Shah

Okay and sir there is some mentioning about the **Vizag** facility about its commencement of operational etc. Is there anything that we would like to know from you about that.

Govindarajan

Unfortunately, the SEZ final clearance has not come through which we are still awaiting. we have already blocked almost 50 acres of land in. We are preparing ourselves in terms of keeping all the detailing ready in terms of going ahead with the project. We have to wait for that clearance and once the clearance is obtained, which we expect it be around April, we shall soon start the construction.

Bhavin Shah

Right sir and as far as the UK facilities are concerned. I mean how do we see the potential of that facility is being explored. Are we talking about 60% of the potential coming in or just to know the visibility in the next year or so, and even in terms of the contract that we have got?

Govindarajan

Can you repeat your question?

Bhavin Shah

I am just trying to understand the untapped potential of the UK facilities that we still yet capture.

Govindarajan

As soon as we took over the 2 new contracts were brought in place. This year we will be doing some validation lots of the same and some revenues will be captured, but the full scale revenues would be captured from the next financial year.

Bhavin Shah

Okay.

Govindarajan

As you are all aware UK facility is involved in doing contract manufacturing for most of the innovative companies, and normally the graduation from phase 3 to commercial would take time due to the regulatory approval. Yes, we are confident that one of the phase 3 products will mature to commercial production next year which will in the second half of next year and similarly we are expecting more products to mature and at the same time more of contract manufacturing opportunities would be looked into.

Bhavin Shah

Okay, so at this time what kind of a figure would you give as to how many contracts are in the pipeline?

Govindarajan

Overall about 4 to 5 contracts are in pipeline including Indian operation and other contract manufacturing opportunities besides what we are already doing.

Bhavin Shah

Thanks a lot, thank you so much.

Moderator

Thank you very much sir. Next in line we have Mr. Avinash from DSP Merrill Lynch.

Avinash

Good afternoon Sir.

Govindarajan

Good afternoon.

Avinash

I have a few questions. Actually I was just followup into the contract you said you have 4 or 5 new contracts in the pipeline, right for the UK facility?

Govindarajan

No, it is UK and India.

Avinash

Including India?

Govindarajan

Yeah.

Avinash

Okay great, and then a small question on R&D, what was the R&D expense for the quarter?

Manav

Avinash this is Manav.

Avinash

Yes Manav.

Manav

For the quarter ended December we have spent Rs. 6.20 crores on R&D.

Avinash

Okay and then a question as to how much impact you had from the currency movements this quarter?

Govindarajan

Unfortunately, yes Avinash, we lost to the extent of around, one minute Avinash.

Avinash

Sure.

Vimal

For the UK operation, it has been a major hit definitely this year overall up to this 9 month period against the budget of 1.74 would, the impact was 1.5 million pound so far, and overall for the year it would be about 1.8 or so.

Avinash

1.8 million pounds that is? sorry just going back, for the quarter you said it is 1.5 million pounds

Vimal

No for the nine-month period.

Avinash

For the nine months, and could you provide the detail for this quarter.

Govindarajan

This quarter, it would be about 700,000 pounds or so.

Avinash

700,000. Okay sir. Then lastly on the good will, the negative good will, we have used up all of that this time, right, the inventory.

Govindarajan

Not yet. We still do have some more, so overall like this year we would be using about to the extent of 6.5 million pounds and about 1.5 million pounds would be still left for the next year.

Avinash

Okay, Sir. Thank you sir.

Govindarajan

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Balaji from Sundaram.

Balaji

Sir, couple of questions one is currently if you could tell us what is the capacity utilization in the Rhodia plant now?

Govindarajan

It is approximately 40% Balaji.

Balaji

We are doing some toll manufacturing in the facility, so if you could give the breakup of the sales there in Rhodia for this quarter in 9 months.

Vimal

Toll manufacturing you are referring to is the toll manufacturing charges which is being paid to Rhodia by our UK facility since some of the products are still being made at one of the Rhodia facility in France. We are targeting to transfer all manufacture to our sites by June 2007 .

Balaji

Yeah. Sir, just one question from my side. In terms of the loss side Rhodia, could you just tell us what is the kind of loss from the operations before?

Govindarajan

Yeah, overall it is about 42 crores for the 9 months period.

Balaji

And in terms of quarterly, how is that been in terms of run rate on the loss, has it been coming down or has it been consistent been the same?

Govindarajan

No, it has been coming down. Like first quarter it was 22 cr, second quarter it was 11 cr, and it has came down to 9 cr.

Balaji

And in the fourth quarter what is the projection?

Govindarajan

We are confident to report the profitability in the 4th quarter.

Balaji

Sorry.

Govindarajan

We should be turning around from the fourth quarter.

Balaji

Okay, thanks a lot.

Govindarajan

Thanks.

Moderator

Thank you very much sir. Next in line we have Mr. Chirag from Citigroup.

Chirag

Yeah, Good afternoon Sir.

Govindarajan

Good afternoon, Chirag.

Chirag

Sir, just a couple of questions. The first one was on the SPSL pipeline. I remember reading in one of your presentation, that there are 6 molecules in phase 2 and 7 molecules in phase 3 but beyond that if you can share some light on you know how many molecules you have between preclinical phase I etc.

Govindarajan

Chirag, this is Govind. It would be approximately anywhere between 20 molecules within preclinical to phase I and even between the phase 2 and phase 3 just wanted to let you know that it is round 14, in fact I was withdrawn but I got included so that is how the number has been maintained.

Chirag

Okay, great and on this quarter what is the revenue that you have recorded for the Rhodia Food Additives contracts that you have had.

Vimal

Total revenue from physiological coolant would be about Rs. 65 cr for the entire financial year. Would get back to you on the revenue for the specific quarter

Chirag

Sir just another clarification. This CRAMs consolidated Rs. 90 cr, this includes that Food Additives part or?

Vimal

No, the Food Additives is classified under other products.

Chirag

Okay,

Govindarajan

Chirag initially, I was talking about there is a contribution of around 8% from other products and that majority is from the physiological coolant.

Chirag

Okay, great.

Govindarajan

Okay, I think you got the number for that specific.

Vimal

Rs. 11 crores is from the WS23 for the quarter.

Chirag

Rs. 11 cr.

Govindarajan

WS 23 is the physiological coolant.

Chirag

Okay, thank you so much.

Moderator

Thank you very much sir. Next in line we have Mr. Nimesh Mehta from Edelweiss Capitals.

Nimesh Mehta

Hi, good evening everybody. Just one quick question the other expenses in the consolidated accounts, which is about 47.7 crores is too low than comparable quarter that is Q1 and Q2. Is there any reason do we expect this recurring the savings or the kind of expense we have made.

Vimal

Nimesh, one second give me a moment.

Nimesh Mehta

Sure.

Vimal

This is on quarter-to-quarter. Probably I will get back to you Nimesh. We will take the next question while we analyze.

Nimesh Mehta

Okay.

Moderator

We have the next question from Mr. Avinash from DSP Merrill Lynch.

Avinash

My question is answered actually.

Moderator

Thank you very much sir. Participants who wish to ask questions may please press *1. Next in line we have Mr. Pankaj from Merrill Lynch.

Pankaj

Good evening Sir.

Vimal

Good evening.

Pankaj

Sir, just a couple of things, I just missed the initial part when you were saying that for the CRAMs for the full year will do a 30% growth, so you are meaning that we will record all those revenues in the last quarters what you are saying is it.

Vimal

Most of the revenues from CRAMs business is to be recorded in the last quarter. The reason being that though some of the products were ready in the third quarter it could not be billed as the pre-shipment sample has been sent to the customer and unfortunately due to the year end vacation we could not get the approval for shipping out the products and same was the case with another contract manufacturing product. I mean another major product also moved to last quarter.

Pankaj

So if you could give us some sense as to what kind of number we should be looking from that business for this quarter.

Govindarajan

That is for Indian operation it is about Rs. 28 crores to Rs. 30 cr.

Pankaj

From the CRAMs business in this quarter.

Govindarajan

Yes.

Pankaj

Okay and sir when you see that Rhodia will breakeven in the coming quarter there is a 4th quarter, then essentially if I get it right, you are implying that without accounting for the negative good will you will breakeven at the operational level is what you imply, right.

Govindarajan

That is right.

Pankaj

So, it is one way to do that then are we talking that from a let us say a revenue trajectory of about Rs. 90-100 crores where we are on Rhodia, this quarter we would give a Rs. 110-120 crores kind of a revenue run rate.

Govindarajan

Yeah, we are expecting about 12 to 13 million pounds to be booked as revenue in the last quarter.

Pankaj

Okay, that answers my question. Thank you Sir.

Govindarajan

Thank you.

Moderator

Thank you very much Sir. Next in line we have Mr. Karthik Mehta from Enam Securities.

Karthik Mehta

Yeah, hi I need the total debt amount and in that I need the....

Govindarajan

Please go ahead Karthik.

Karthik Mehta

Yeah and in that my need forex debt as well as the Indian debt, if you could, as on date.

Govindarajan

The total debt about the long term and short term is about Rs. 158 crores . Out of Rs. 158 crores roughly about Rs. 110 crores would be forex and balance would be in rupee loan.

Karthik Mehta

And what is the fair rate of tax to assume on a consolidated basis for FY07 as well as for FY08.

Govindarajan

FY07 it would be like 12.5% overall on consolidated basis and the FY 08 would be still 15%.

Karthik Mehta
Thanks.

Moderator

Thank you very much sir. Next in line we have Ms. Gupta from UTI Mutual Funds.

Gupta

Hello, yeah, my question was related to the domestic operations that you had. I do not know if you have mentioned about the split up of your Ibuprofen, Nizatidine, and Ranitidine. The breakups and what has been the reason for the growth or the degrowth in each of these segments.

Govindarajan

Okay. Ibuprofen - there has been a major ramp up in the sales even and in terms of quantity we have done about 3600 tons as compared to 2800 tons last year. There is a 40% growth and major growth came from domestic sales. If you would all recall there was an up side. I mean price revision was affected from July last by DPCO and that helped us in capturing better margins from the domestic market and that is how the larger sales has been recorded and as far as the other products are concerned Ranitidine which we are totally exporting has been low this year mainly because of lack of orders from the innovator company, where as Nizatidine we have seen a growth of about 12% so far this year.

Gupta

Could I have to split up of each?

Govindarajan

it is Rs 165 crores in the case of Ibuprofen, both Ibu and Ibu derivative, and about 15 crores Ranitidine and Nizatidine 61 crores.

Gupta

Okay. Thank you.

Moderator

Thank you very much. Next in line we have Mr. Manish Sumanth from Way to Wealth.

Manish

Yeah Manish here, sir two questions one on the sales from UK operations. In the last conference call you had mentioned that for 07 you will be doing 40 millions pounds sales, now can you tell me what was the sales for quarter three for the UK operations and what was the loss in UK operations?

Govindarajan

Loss is somewhere around Rs. 9 crores as mentioned earlier and sales it is 11 million pounds for the quarter.

Manish

Okay. So if you probably do 12 million pounds in fourth quarter, may be it would be less than 40 million what you had said earlier?

Govindarajan

No I said 12 to 13, which we are still confident that we should do above 14 million pounds.

Manish

Okay. You said that you probably got two accounts, new contracts recently, so what would be the bench mark EBITDA levels you will be ideally targeting this contracts?

Govindarajan

What I said was, as soon as we took over the UK operations from April we got the two contracts signed which we had already informed you all in the last conference call itself. As far as the EBITDA margin at UK at the contribution level (sales less consumption of materials), it has been maintaining above 60%

Manish

Right, no, but say probably if I want to look at the EBITDA level then ideally what would you be targeting say probably next 12 to 18 months what would be the EBITDA levels you can achieve? See I am trying to understand that if you probably get new contracts, which are at a particular EBITDA level 92, if you ramp up the current operations what kind of EBITDA levels can we get?

Vimal

See I think I will have to answer this part in two parts for our two operations both in India and UK and UK we would look at what is the contribution it would give us because most of the other expenses would be fixed for us and where the capacity utilization will be the key factor and in the Indian operation for the contract manufacturing, we would look anything above 22% to 24%.

Manish

Contribution?

Govindarajan

EBITDA levels.

Manish

Okay, probably how do see the fixed cost behaving for the UK operations going forward? What is the cost per quarter in terms of fixed cost been at?

Govindarajan

In the UK operations, other than material cost we classify everything as fixed, because most of them are fixed, which is about 7.5 million pound per quarter.

Manish

Okay thank you very much.

Govindarajan

Thanks.

Moderator

Next in line we have Mr. Nimesh Mehta from Edelweiss Capital.

Nimesh Mehta

I just wanted to know you recently received Gabapentin approval if I am correct. What is the expectation from there what kind of revenues do you expect this year as well as next year out of that and how many customers do you right now supply to?

Govindarajan

We have got two customers who have taken or filed the **ANDA based on our DMF** and one of them has already got the approval and who has started taking from us. So far we have sold to the

extent of 11 crores in about 5 months period. Going on the yearly basis, this year we should do about additionally about 12 crores on this product. So 24 to 25 crores would be recorded this year. Nimesh you wanted to know about the fixed cost or other expenses coming down. Fixed cost is inclusive of administration and selling and distribution expenses which was lower in India depending on the product mix and that is why it has come down now this quarter.

Nimesh Mehta

So it is because of the change in the product mix, you mean to say?

Govindarajan

Yes,

Nimesh Mehta

Sir is it linked with the higher Ibuprofen sales I mean because you might not be incurring selling and distribution expenses?

Govindarajan

Yeah we are not recording much of distribution part.

Nimesh Mehta

Okay thank you.

Govindarajan

Thanks Nimesh.

Moderator

Thank you very much sir. Next in line we have Mr. K.C. Suri from Span Capitals.

Suri

Yeah. I would like to know what is the net cash flow on a consolidated and standalone level?

Vimal

Consolidated basis it is almost like Rs. 65 crores and on the standalone basis Rs. 53 crores on the consolidated basis.

Suri

Thank you.

Moderator

Thank you very much sir. Next is a followup from Ms. Muzamdar of SSKI Securities.

Muzamdar

Hello sir. My question is regarding the margins what kind of EBITDA and net margins are you expecting for this quarter and next fiscal?

Vimal

For the current year overall there will be a lower EBITDA margin recorded compared to last year by about 1%, last year it was 18%. We hope to record it around 17%.

Muzamdar

Sir any particular reason why it should be low any reason?

Vimal

The major reason being higher Ibuprofen sales where the margins are lower than the comparable products like Ranitidine.

Muzamdar

Next year what you are expecting?

Vimal

Next year we expect it to be little better than 19%.

Muzamdar

Sir this is the EBITDA margin?

Govindarajan

EBITDA margin yeah.

Muzamdar

And what kind of net profit growth you are looking at?

Govindarajan

Net profit growth on consolidated basis we are looking at 35% growth this year.

Muzamdar

Thank you sir.

Moderator

Thank you very much. Next in line we have Ms. Prerna from Quest Investments.

Prerna

Hello sir, could you give me an idea as to what is the capacity utilization required for Rhodia to break even.

Govindarajan

I think it can break even at around 50 to 51% capacity utilization

Prerna

And what level of capacity utilization do you see next year for Rhodia?

Govindarajan

Next year we would reach around 52 anywhere between 52 to 55%.

Prerna

Anything more than that?

Govindarajan

Anything more than that at this juncture as you know like we are not considering any major up side because of the nature of the business we are in. As I was mentioning while we lost one product we got one more product added in phase II and we would be waiting for at least one of the phase 3 products to get into the commercial to really see the up side. As Vimal was mentioning, at the beginning of the call that we are expecting one product to get into the launch stage towards the end of next year. So we have not considered any major up side on that for next year.

Prerna

Okay just one more thing what kind of net profit growth do you see for next year?

Govindarajan

The sales growth would be more than double digit, but I do not think we should be able to comment much beyond that.

Prerana

Okay fair enough. Thank you very much.

Moderator

Thank you very much mam. Next is a followup from Mr. Balaji of Sundaram.

Balaji

Sir in the next 12 to 18 months if you could tell us how will the transition happen from the you know the old products, our three flagship products to the new products. So what will be the new products contribution to the overall standalone stack, if you could take us through that?

Govindarajan

On the standalone basis Balaji, like I said, Gabapentin is going to pickup and that should have contribution of anywhere from Rs 40 to 50 crores. Formulation to kick in by second half of next year and we expect revenue of about Rs 30 crores. Growth would also come from Ibuprofen derivatives.

Balaji

And also in terms of CRAMs business in India, what is the outlook for next year?

Govindarajan

CRAM, see for the new three contracts which we have in place this year validation lots would be supplied. So we do expect major growth coming from there and anywhere from 30 to 40% growth is what we are expecting from the next year for the Indian operations.

Balaji

And margins?

Govindarajan

Margin like I explained EBITDA margin should improve from next year from 17 this year to 19 next year.

Balaji

Okay thank you.

Govindarajan

Thank you Balaji.

Moderator

Thank you very much sir. Next is a followup from Ms. Gupta of UTI Mutual Fund.

Gupta

Hello sir, I just have small question on the formulation site. You talked about the formulation from the US if I am not wrong, did you have any plant in the Europe also for the formulation?

Govindrajan

The European approval is already in place and we are expecting at least 15% of our capacity to be utilized for the European requirement for the next financial year.

Gupta

How much is your formulation capacity utilisation?

Govindrajan

At this juncture, we have commissioned around 1 billion tableting capacity and out of this expect at least 15% for European requirement next financial year.

Gupta

So in the current year, there is no contribution from formulation?

Govindrajan

Not major, yes earlier we were expecting about 10-12 crores, but may end up with 5-6 crores revenue overall from formulation field.

Gupta

Okay and on an optimal capital utilization like what would be the revenue from the formulation side can you give us a ballpark figure, if you take 65-70% utilization?

Govindrajan

By 2009, we expect this business to contribute anywhere from 70-90 crores.

Gupta

And sir once Rhodia becomes profitable and it is on its own what kinds of margins do you expect from the Rhodia and what would be the reasonable margins to expect?

Govindrajan

At SPSL, the EBITDA level we expect around 6-7%.

Gupta

Okay thank you.

Govindrajan

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Nithin Chaturvedi from B&K Securities.

Nithin

Sir I just wanted to know the clarity on the reasons, you know, how you are been able to turn around Rhodia business, is there any specific structural change that is happened or now it is like better capacity utilization or something you have done from your side.

Govindrajan

The major driver for turn around would be the ability to achieve higher and with our relationship with major pharma companies we have been able to get into new contracts already this year, we are under negotiation with some more companies for new opportunities, and also the phase 3 products getting into commercial is our biggest bet now. The major driver for turnaround would be the

highest sales this year and like I said the earlier the fixed cost would almost remain fixed, as the contribution grows.

Nithin

Okay. In the sense that you have said you know higher sales have been the driver behind better I will say margins lower losses basically. In the first quarter losses were close to 22 crores if I am not wrong?

Govindrajan

Yeah that is because we recorded only six million pound sales in the first quarter.

Nithin

Okay.

Govindrajan

And after that we have been having 10.6 and 10.7 in the subsequent quarters.

Nithin

Okay, so everything you know incremental revenue would probably you know 60-70% of that will add to the probably EBITDA.

Govindrajan

Yeah that is correct.

Nithin

Okay thank you sir.

Moderator

Thank you very much sir. Next is a followup from Mr. Karthik Mehta of Enam Securities.

Karthik

Yeah. Can I have the capex incurred in FY07 and what would be in FY08 and if it is possible can I have the capex that would be including India as well as in UK, thank you.

Govindrajan

Yeah, so for in India including the spillover from last year our capex would be around 40 crores for the current year. The Vizag project is getting delayed and with which we hope to complete next year at the cost of about Rs 80 crores and which would be the major capex as far as the India is concerned. UK this year capex is about 5 million pounds and next year again we expect about 3 million pounds to be spent over there.

Karthik

Thank you.

Moderator

Thank you very much sir. Next is a followup from Mr. K.C. Suri of Span Capital

K. C. Suri

Right now you are like about \$168-170 million top line company. When do you feel you will be able to achieve say about \$500 million kind of a turnover and at that stage what kind of a proportion you see between India operations and Rhodia operations.

Govindrajan

Okay, our first goal is to reach Rs. 1000 crores, so in terms of rupees which we hope to cross by 2008 and reaching \$ 500 million in 2010-2011 would be our goal.

K. C. Suri

Okay and that level what do you feel how much would Rhodia be, I mean going by the current projects being successful and kind of a new project, what will be proportion of revenues coming from Rhodia.

Govindrajan

Our agenda is in terms of growing UK's top line every year say at least by 20-25% and in the initial formative stage at least reach 48-50 million pounds in terms of the breakeven is the target as for as Shasun Pharma UK is concerned. And I also want to let you know and Vimal said like in terms of our dream is to reach some better numbers in 2010 or 2011, we also are exploring both the organic as well as inorganic options.

K. C. Suri

Okay and these inorganic opportunities, which you exploring would they essentially is it in CRAMs space or you looking at the forward or backward integration like formulations or starting materials and APIs, what is the area of focus that you are looking at.

Govindrajan

Our major growth would come from CRAM business and the formulation business.

K. C. Suri

Okay.

Govindrajan

And as for as backward integration is concerned we would still explore China in terms of either exploring some sort of joint venture or setting up some facility for manufacture of raw materials or some intermediates.

K. C. Suri

Okay, thank you.

Moderator

Thank you very much sir. Next is a followup from Mr. Nithin of B&K Securities.

Mr. Nithin

Yeah, sir can you give some kind of detail on the fixed cost, the major heads on fixed cost for the Rhodia operation.

Govindrajan

Yeah, see the major fixed cost I would say like 48% would be employee cost and the rest is like maintenance cost, and selling and distribution cost.

Mr. Nithin

How much is in the selling and distribution?

Govindrajan

Selling distribution is a small amount of that 1% or 2%.

Mr. Nithin

Okay, okay, and so what revenue level do you see you know when you need to increase probably number of employees or probable number employe cost may probably increased, fixed cost will increase you know with revenue, at what revenue level I mean approximately?

Govindrajan

We need to add about 30 people to achieve the next year targets..

Mr. Nithin

Thirty employees?

Govindrajan

Yeah 30 employees to the present strength of 350

Mr. Nithin

Okay thank you sir.

Govindrajan

Thank you.

Moderator

Thank you very much sir. Participants who wish to ask questions may please press *1. At this movement, there are no further questions from participants. I would like to hand over the floor back to Mr. Vimal Kumar for final remarks.

Mr. Vimal Kumar

I would like to thank everyone who has participated and shown interest and taken their time off, thanks for your support.

Moderator

Thank you sir. Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.
