

Q3 CY08 Post Earnings Conference Call Transcript

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Date: 27th October, 2008

Moderator

Ladies and gentlemen, good evening and welcome to the Q3CY08, conference call of Glaxo Smith Kline Pharma hosted by Prabhudas Lilladher Private Limited. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at end of today's presentation. If you should need assistance during this conference please signal an operator by pressing "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ranjit Kapadia of Prabhudas Lilladher. Thank you and over to you Mr. Kapadia.

Mr. Ranjit Kapadia - Prabhudas Lilladher

Thank you, Ladies and Gentlemen a warm welcome to all of you and wish you a Happy Diwali. We are here to discuss Glaxo Smith Kline Q3CY08 results update. We have with us Dr. Hasit Joshipura, Managing Director and Mr. Mehernosh Kapadia, Senior Executive Director of Glaxo. Over to you Dr. Joshipura.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

Good evening, just to summarize the results for the third quarter ended September 30, 2008. We had a net sales growth of 15% in this quarter and that may not be apparent based on the numbers which are sent to the stock exchange because we had the fine chemicals business with us for 9 months last year so on a like for like basis when you adjust the growth, the net sales has grown by 15%. The profit before Tax for the quarter grew by 21% and in this quarter we had this robust sales which was also matched by its market off-takes which grew equally well during the quarter. The company's major products in the priority range have shown a reasonably good double digit growth and with some kind of improvement in our mix and better volume plus the tightness that we exercise on the expenses. We have had a good growth during this quarter.

The other important development is that we continue to be on track in terms of our new product introduction. This quarter saw the introduction of the Olmesartan drug, which is licensed from the Daiichi Sankyo earlier this year, and the product has been launched in this quarter. In addition Tykerb, which is from GSK pipeline, - an anti Cancer Product has also been launched in India as you know and that was done very quickly, within 12 months of approval by the USFDA. So we remain on track in terms of our new products. We have also signed the licensing deal with Astellas and we are hopeful of getting our product during the first half of next year. So all in all, a set of numbers were in line with our expectations for the year as a whole. In terms of margins, while this quarter has shown a much better trading profit margin to sales, on the year as a whole we should be tracking about 35% as the trading profit or operating profit to say. Mr. Ranjit this is the kind of summary of the financial results. What else would you like us to cover from our side?

Mr. Ranjit Kapadia - Prabhudas Lilladher

If Dr. Joshipura can give an update on new product introduction and outlook for the business.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Certainly, we had said in 2007, that we will be launching three vaccines in 2008, including Boosterix and Rota virus and we have already launched Tykerb. All the plans are in place. What is the bonus is that we have launched Olmesartan which is licensed in April this year, so that is an additional one which we are launching at its peak. So we are on track with all of those, we have approval to launch Survival Cancer Vaccine as well, so in the first half of 2009, we will be on track for that. We will also be on track with our Cerverix vaccine, so clearly as far as vaccines are concerned we are on track. Similarly with regards to our new products we have filed for Mycamin which we had said earlier, we filed for Astellas as Mehernosh said and in addition we will have a couple of branded generics thrown in. So I think all that put together should enable us to sort of look at the double digit type of growth that we have been looking for in the next couple of years. In shift double type of growth, you know say about 9-10%. Mr. Joshi...

Sir, can we take the question and answers now?

Moderator:

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. At this time if you would like to ask questions please press "*" and then "1" on your touch tone phones. If you wish to remove yourself from the question queue please press "*" and "2". Please use only handsets while asking a question.

Anyone who has the question may press "*" and "1" now.

Our first question is from Mr. Nimesh Desai of Motilal Oswal Securities. Please go ahead.

Mr. Nimesh Desai - Motilal Oswal Securities

Ya, Good Evening. Just a few questions, one is did we hear it correctly that you received approval for Cerverix.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes.

Mr. Nimesh Desai - Motilal Oswal Securities

Sir, why is the launch happening in the first half of the next year and why not immediately?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Because the approval process has three parts to it. That is the marketing approval, there is a site registration

Mr. Nimesh Desai - Motilal Oswal Securities

Ok,

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

And then there is the import license.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok,

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

The biggest one is the marketing approval which we have got. Now we have fulfilled the formalities of site registration and the import license and then of course to get an India specific pack which we can only tell our principles after we get the import license number, so that is the time it takes.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok, but then your competitors already launched this product some days back.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, sure they have.

Mr. Nimesh Desai - Motilal Oswal Securities

You think a six months time frame is ok for you, I mean will you not miss out anything big due to a delay of six months?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, I don't think we will loose this out. We are quite comfortable with launching it within the next six months. We believe that we have a better product.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok, and in terms of pricing, we know competitors pricing, has it surprised you on the down side or you would have expected this kind of pricing?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, I think we were ok with it. We are comfortable with it.

Mr. Nimesh Desai - Motilal Oswal Securities

You are comfortable with it.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya.

Mr. Nimesh Desai - Motilal Oswal Securities

The other thing which we wanted to know that recently rupee has depreciated against the dollar

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes.

Mr. Nimesh Desai - Motilal Oswal Securities

You have some amount of import content in terms of raw material etc, and some finished product. Will this depreciation impact the operation significantly or we should just ignore it?



Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, Nimesh it is not significant in the context of our total purchases.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

So I don't think you should worry about that.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok. Other thing we had a question on was is there a headline or a line number for other operating income in your numbers you have shown and if I compare past results, we have never seen this number being reported, so what is this income actually pertaining to?

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

Nimesh this is a new requirement in SEBI, they have amended clause 49.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

Earlier what used to happen is, they used to be a line called "Other Income",

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

With a combination of operating income, which would be like Sale of Material, Sale of Scrap, Rental Income,

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

All these operating incomes are necessary in relation to the business.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

Along with that we used to club income which was not necessarily operating so, therefore if you see our disclosures we have put it in bracket that it includes treasury Income X Rupees.



Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

So now it is very clear that our operating income is pure operating income and then you have separate lines for interest. If see the bottom of the advertisement, you will have a separate line for other income where we have clarified that it includes Treasury Income and Interest Income as well.

Mr. Nimesh Desai - Motilal Oswal Securities

Right, Ok.

Mr. Mehernosh Kapadia - Sr. Executive Director, Glaxo SmithKline

So that is the change in the disclosure.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok. Understood. And last question before I go back and join the queue is that you have seen a strong growth in this quarter, both, in terms of top line, as well as income to margins. Any particular reason for this strong top line growth or is it just the culmination of all the efforts that the company has taken in the past and is now bearing fruit?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, if you look at the second quarter also we had a 11% topline growth.

Mr. Nimesh Desai - Motilal Oswal Securities

Ya, but this time it is 15%.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

I don't think that there is anything spectacular we have done this quarter except that we have got approvals and lost out on a new product this quarter. So it is a combination of all of those things. Then of course we restructured and reorganized the business in the beginning of the year.

Mr. Nimesh Desai - Motilal Oswal Securities

In terms of Sales Division?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, in terms of sales division. So I think some of that also resulted in better focus on each of the product verticals.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok. And you did mention that next year onwards you would expect to grow in double digits, maybe lower double digit.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya.

Mr. Nimesh Desai - Motilal Oswal Securities

So, how would you explain the trend line to us if one were to look at it more from a medium to a long term prospective? How will the sales trend move upwards, that is what our expectation is?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, you see we basically assume the market to grow at 12% a year,

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

And if we look at the fact that innovative companies have essentially failed the market and our own growth has been about 8%, in the recent past.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Then our ambition is that between 2009 and 2010, we should grow at 9-10%, More than 10% in 2011 and in 2012, we should be in line with the market and then beyond 2012 we should have faster than the market.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

As the new product contribution starts kicking in.

Mr. Nimesh Desai - Motilal Oswal Securities

Right. Actually for this quarter itself you have grown faster then the other ones.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, for the quarter, we can't project the quarter for the full year.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok. I get the point. Thanks a lot.

Moderator

Thank you Mr. Desai.

Our next question is from Mr. Rajesh Pherwani from HDFC Mutual Fund, please go ahead.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Just on the growth rate that you are talking about, just to clarify what percentage of your growth comes from your new products or products launched two years back or what is your opinion?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Well I think this year we should be about 7-8%, 7-8% will come from the last three years not two years.

Mr. Rajesh Pherwani - HDFC Mutual Fund

And do you see the change, you are launching quite a few vaccines and other products, you have the licensing of a few products, so do you see that changing, going forward?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

We do see that changing, though not all of them will come out of the patented products of course. So it will be a combination of vaccines, IP protected, as well as branded generic products.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Sir, if I look at the next 2-3 years then maybe the growth could be much higher for products like these?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, well it could be but you know, let me also say that our base business is also doing quite well.

Mr. Rajesh Pherwani - HDFC Mutual Fund

That is precisely my point, if the base business is going well and you are doing 8-10% growth from your new products, then your target growth rate should be much better than 9-10%?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Well I would not venture in to, you know, commenting on something like that.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Just trying to figure out the reason behind that, is it being too conservative or is it something else?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, I don't think we are being too conservative. As I told you that we have launched products in the past as well and our average growth was about 8% or so and against that we are stepping up. You know the pace, to about 10% over the next couple of years and then become equal to and beyond that better than the market.

Mr. Rajesh Pherwani - HDFC Mutual Fund

In the next 3-4 years, any figure you have in mind, the new products that are being launched in the next 1-2 years, any kind of figure you have ?



Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Mind you, these need not necessarily be patent protected. Ok, I think we should say 2012, now it is 12, the product that we are launching including last year should account to at least 20-25% of our launch.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ok, assuming that you are growing at 8-10%.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, that is right.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ok, and another question, which I had, is about margins, Sir. I believe the margins have gone up because of the fine chemicals business that has been hived off, I think that could be the reason, right?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

That is one of the reasons.

Mr. Mehernosh Kapadia - Senior Executive Director of Glaxo.

That is one of the reasons, other wise we have had a better product mix, there is of course volume contribution, and overall efficiency I would say for this quarter.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Only for this quarter. Do you see this sustaining, going forward?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

We believe that we should be able to manage our operating profit in such a way that it has 35% excluding income from investments.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ok, fine and you have a lot of cash on book, so one obvious question is anything that you have in mind as far as that is concerned?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

I think this our consistent approach on, this has been to look at how best we can return cash back to the shareholders, whether it is a buy back or whether it is in the form of additional dividends and the other is to keep reasonable amount of money with us in case of opportunities particularly when things are available or if there is any other domestic consolidation opportunity taking place so we will have to keep some cash for that as well.

Moderator

Thank you Mr. Pherwani.

We have a follow-up question from Mr. Nimesh Desai from Motilal Oswal Securities. Please go ahead.



Mr. Nimesh Desai - Motilal Oswal Securities

Just wanted to know out of your total growth, what would be the approximate volume growth and what would be the price contribution?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Nimesh, we do about 1 ½ to 2% per annum on price.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

The rest is volume over the year. Over the whole year.

Mr. Nimesh Desai - Motilal Oswal Securities

Over the whole year.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

It is also consistent with the stand that we have taken that in this market the sustainable growth would go to tertiary volumes.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok, fine and the other question I had, as a country we are facing liquidity issues as of now, globally in India, do you see any of your suppliers or customers in terms of distributors getting impacted in any which way?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Nothing that we have seen as yet. Difficult to say but nothing that we have seen as yet.

Mr. Nimesh Desai - Motilal Oswal Securities

Ok. You are one company where the working capital cycle is very favourable to you,

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya.

Mr. Nimesh Desai - Motilal Oswal Securities

And that was the reason for asking this.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, also what you must realize is that the cash we are sitting on can come in use. So we could help some of our key customers to tide over the crisis.

Moderator:

Participants in the conference, if you wish to ask any questions please press "*" and then "1".

The next question is from the line of Mr. Rushabh Sheth from Karma Capital. Please go ahead.

Mr. Rushabh Sheth - Karma Capital

I just wanted to check from you how is the invoicing thing panning out for you after the Daichii thing, how do you see this as an opportunity for us on a sustainable basis for the next 2-3 years?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Well we have already launched the product, so I mean they can always do up a co-promotion or co-marketing if they wish too. They haven't said no as yet.

Mr. Rushabh Sheth - Karma Capital

Not for Daichii product. Just do you see these kind of deals still coming to you over the next couple of years and what is the kind of pipe line that you see for yourself?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, we do think that these things can come, There are few opportunities that we are chasing actively. I don't think this can be the main platform on which we can base our growth. It has to supplement our own pipeline and run the products that we want to launch.

Mr. Rushabh Sheth - Karma Capital

And in the branded generic have you had a briefing in terms of what we can and what we cannot launch, going forward in terms of product basket, whether it will only be products from the parent's basket or you can look at other products from outside?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, no we have always looked at products from outside. We can look at products from outside; we don't have to look at the parents basket.

Mr. Rushabh Sheth - Karma Capital

In the parent generic space.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes.

Mr. Rushabh Sheth - Karma Capital

Have you thought about any of these?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Ya, we thought about that, we are active, we have a sort of plan, which you know for complete reasons we don't want to share.

Mr. Rushabh Sheth - Karma Capital

Ok, and in terms of the new product that we are launching, in terms of the pipeline, how does it look? Of course, we have launched two vaccines Tykerb etc, but how does it look over 2009 and say in terms of product pipeline, in terms of launch?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Well essentially we have a good Oncology Pipe line. So I understand that there is a product called Promactar, which is a platelet aggregator. It is required for patients who have a depletion of platelet count.

Mr. Rushabh Sheth - Karma Capital

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Now that can happen due to a variety of reasons the first indication is going to be a disease called Idiopathic thrombocytopenic purpura and then I think we have a big opportunity of chemotherapy-induced platelet depletion or Hepatitis. So these are the follow-up initiatives. So that is one product which we will be looking at very closely. It's been filed with the US FDA. If we are lucky and if it gets approved, then of course we could get in 2009 itself, like Tykerb.

Mr. Rushabh Sheth - Karma Capital

Ok.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Then we have a tropical antibiotic called Promactar which we already filed for. Then there is topical antibiotic. As I have already told you that there are some other oncology products as well. But since we have not yet got the registration, I don't want to talk about it.

Mr. Rushabh Sheth - Karma Capital

Ok, there are at least two if not three products that you have visibility for the 2009 launch.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes.

Moderator

Thank you Mr. Sheth. Participants who wish to ask questions may please press "*" and "1".

Mr. Kapadia would you like to ask a few questions while the participants join the question queue?

Mr. Ranjit Kapadia - Prabhudas Lilladher

Yes. Dr. Joshipura, this is regarding the GSK setting up of a facility in Nasik for Albendazole.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes.

Mr. Ranjit Kapadia - Prabhudas Lilladher

What is the investment capitalization and what is the capacity if you can throw some light on this?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

I think that they are still working out the investment numbers. I think they are setting up one line specifically in our factory for manufacture of 300 million doses.

Mr. Ranjit Kapadia - Prabhudas Lilladher

300 million doses?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes,

Mr. Ranjit Kapadia - Prabhudas Lilladher

And this should be in the books of GSK or is it 100% subsidiary?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Yes, it is still being worked out. I don't have a categorical answer.

But this is like the CSR type of work. It is not a commercial proposition.

Moderator:

Participants who wish to ask questions may please press "*" and "1".

The next question is from, I am sorry we have a follow-up question from Mr. Rajesh Pherwani of HDFC Mutual Fund. Please go ahead.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ya, on this issue of 100% subsidiary, obviously you made it very clear in the past, but just to catch up with all this again, how are we placed in terms of introduction of new products, how is it going to be decided, any particular therapy areas, any particular products assigned to you or to them? How is it going to be worked out?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

So far, in the past also a few vaccines have been launched through it. Otherwise nothing else has been launched through it. So if at all something would be launched it would be largely vaccines. So we have never launched any pharma product through it and I don't think there will any intention at this point of time to do so.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ok, that is great. And again on margins of the patented products or the products launched through the Indian subsidiary would be in line with the current margins?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

We will look at margins as a whole for the business so as long as we are able to get a 35% number for the total portfolio, you know individual margins don't really matter for us.

Mr. Rajesh Pherwani - HDFC Mutual Fund

Ok, because in the past also you have been mentioning in the margins will be in line with the company margins.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

At the aggregate level it will be in-line. That is our ambition and that is what our focus will be.

Moderator:

The next question is from Mr. Nimesh Desai from Motilal Oswal Securities. Please go ahead.

Mr. Nimesh Desai - Motilal Oswal Securities

One more question is that given the tight liquidity scenario we are seeing are you getting some feelers from some of the smaller pharma companies in India that they would want to sell out in terms of either brands or companies and has the situation changed at all.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, not yet.

Mr. Nimesh Desai - Motilal Oswal Securities

Not yet.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

But it is too early for the liquidity crisis, if we stick to it, it will be more proactive.

Mr. Nimesh Desai - Motilal Oswal Securities

Right. And any major changes that you would like to highlight in the industry happening on the ground level, which as investors we should be taking note of, positive or negative?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Nothing which is, except that you would have seen that typically growth in the pharma industry is driven by new introductions,

Mr. Nimesh Desai - Motilal Oswal Securities

Right.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

And you would have seen the IMS saying that you know the number of new introduction has dropped by 30%. You know apart from that there is nothing else that I am sure you wouldn't already know.

Mr. Nimesh Desai - Motilal Oswal Securities

But that new introduction coming down would be a function of less number of products, now being available to launch because you launched a majority of products before 1995, could that be the reason or?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

That is the reason.

Mr. Nimesh Desai - Motilal Oswal Securities

And that obviously does not impact you, because your new launches are just starting to gain fashion now.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Correct.

Moderator

Thank you Mr. Nimesh Desai. Participants who have questions may press "*" and "1".

Hello, Good Evening Sir, this is Tushar, I just had a query with respect to clinical trials. Sir, just would like to know when an innovative company like Glaxo outsources its activities to India, does it go to Glaxo in India or does it go to any other company also? What are the parameters on which it decides on these factors sir?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No the clinical trials work is done by Glaxo India which is the listed entity.

Mr. Tushar Manudhane, Prabhudas Lilladher

So whatever work of the parent company if it has to do in India, it has to only go through Glaxo India.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

At this point of time, for clinical trials all the work that the parent company is doing in India is being done in our company.

Mr. Tushar Manudhane, Prabhudas Lilladher

So any company, other outsourcing work in regard to clinical trial segment, I would like to know, Sir.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

At this point of time there is no work, which is coming this way, so there is nothing actually being done in that for the present. You know if things could change in the future and if they look at opportunities in India, then they will evaluate them.

I must also tell you this that you see if you want to do manufacturing it is easier and more flexible for them to go and do it with an outside agency rather than wait for us to put up a facility then start manufacturing, then they end up getting committed. So I think it would be best to assume that in the case of manufacturing place and activity, probability of it coming to us is lower than going outside.

Mr. Tushar Manudhane, Prabhudas Lilladher

With respect to it going, maybe with drugs in the generic space but regarding the drugs in the clinical phase or might have just got the patents?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

You see if they just got the patents, then it is unlikely it would come here, because these are products for which we find large volumes in developed markets and generally in terms of P&L they could support a higher cost-manufacturing base.

Mr. Tushar Manudhane, Prabhudas Lilladher

So outsourcing as of now for those kind of drugs is not entrusted to Glaxo.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

No, with respect to Glaxo. No.

Mr. Tushar Manudhane, Prabhudas Lilladher

And clinical research work, Sir?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

That we took part in it. Infact we are one of the largest sites for clinical work among the GSK set up companies world wide

Mr. Tushar Manudhane, Prabhudas Lilladher

So there are no other companies in India who are doing any clinical research work for...

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Clinical research we do it ourselves.

Moderator

Thank you Sir. Participants who have questions may press "*" and "1".

We have a follow up question from Mr. Nimesh Desai of Motilal Oswal Securities. Please go ahead.

Mr. Nimesh Desai - Motilal Oswal Securities

Last question, should we expect an increase in dividend payouts?

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Nimesh, at this point of time we cannot give you any categorical answer because it is really for the Board of Directors to take a decision on this. But if you see our track record, we have always kept the interest of the shareholders in mind. We have gradually, over the period of time, increased the payout ratios. We have looked at exceptional incomes and have returned the cash back to the shareholders. So the board is very conscious of its dividend policy. Lets wait and see till February 2009 and you will get the answer.



Mr. Nimesh Desai - Motilal Oswal Securities

Ok. Thanks a lot.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

But you can ask more questions if you want it is not necessarily the last question.

Mr. Nimesh Desai - Motilal Oswal Securities

No, no. I am done with my questions, thanks a lot.

Moderator

At this time we have no further questions from the participants. Mr. Kapadia.

Mr. Ranjit Kapadia - Prabhudas Lilladher

Ya sure. On behalf of Prabhudas Lilladher I would like to thank all the participants for their patient listening and I am very much thankful to Dr. Joshipura and Mr. Mehernosh Kapadia for sparing valuable time for the call. Thank you.

Dr. Hasit Joshipura - Managing Director, Glaxo SmithKline

Thank you Ranjit.

Moderator

Thank you very much.

Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited, we conclude this evening's conference call. Thank you for joining us and you may now disconnect your lines.

Thank you.

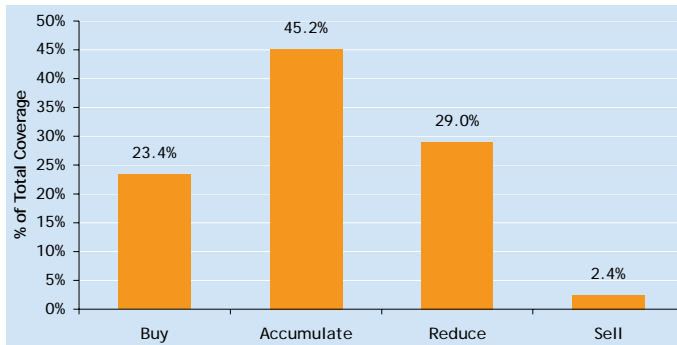
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