



**“Torrent Pharmaceuticals Limited
Conference Call”**

January 25, 2012



Moderator: Ladies and gentlemen good morning and welcome to the Q3 FY'12 conference call of Torrent Pharma hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Ms. Perin Ali; thank you and over to you.

Perin Ali: Thank you. Good morning and a warm welcome to all of you. We at Edelweiss are pleased to host conference call for Q3 FY'12 results of Torrent Pharma Limited. On behalf of Edelweiss and all participants, I welcome Torrent Management team to discuss the results and outlook going forward. We have with us Mr. H. Balakrishna, Executive Director International Business, Mr. Shivinder Agarwal, Executive Director India Business, Mr. R. Srinivasan, VP Finance and Mr. Rishi Shah as Manager Finance. Now I would like to hand over the conference call to Mr. R. Srinivasan; over to you sir.

Srinivasan: Thank you Perin. Good morning everyone. This is Srinivasan here. Welcome to our post results tele conference for third quarter of 2011-2012. We have four of us here, Mr. Shivinder Agarwal, Mr. Balakrishna and Rishi Shah apart from me. Let me take you through the highlights of the operations for the quarter briefly, so that we have more time for the participants to ask questions. So I will briefly summarise the results. During the quarter, the total revenues grew by 21%, India Formulations Business grew by 8% posting revenues of Rs.2.29 billion compared to Rs.2.11 billion. International operations grew by 33% during the quarter. US business grew by 67% posting revenues of Rs. 638 million. The company launched Olanzapine ODT during the quarter in US. Three ANDAs were filed taking cumulative filings to 31 ANDAs and 14 DMFs pending for approval. Brazil grew at 27% posting revenues of Rs. 1.2 billion and Germany based Heumann registered growth of 14%, positing revenues of Rs. 870 million. The other operating statement, which is the



contract manufacturing operations, grew by 17%, posting revenues of Rs.692 million. During the quarter the company received licensing income of Rs. 94 million compared to Rs.6 million in the corresponding quarter of last year.

For YTD December 2011 period, the total revenues grew by 19%, and India business grew by 8% posting revenues of Rs. 7105 million. International operations grew by 28% during YTD December 2011. During the period company has received licensing deals to the tune of Rs. 368 million compared to Rs. 131 million in the previous year. On a consolidated basis, the net profit after tax and minority interest grew by 8%. We have declared an interim dividend 120% at the rate of Rs.6 per share. These are the highlights of the quarter. Thank you very much and we can start the Q&A session. Over to the coordinator please.

Moderator: Thank you. The first question is from Ravi Agarwal from Standard Chartered; please go ahead.

Ravi Agarwal: Good morning and thanks for taking my question. Congrats for your International business. Really it has been a great performance this quarter. Just want to understand how much of this de-factoring because of the rupee depreciation vis-a-vis the constant currency terms?

Srinivasan: We can tell you the constant currency growth. In constant currency term, it is 19%.

Ravi Agarwal: This includes all exports, is it?

Srinivasan: Yes.

Ravi Agarwal: Just give little bit more clarity in terms of how would the US and let us say, Brazil has grown in terms of constant currency?

H Balakrishna: US have grown by 51% and Brazil has grown by 21%.



- Ravi Agarwal:** Going forward, what is our expectation in terms of Brazilian operations, I mean what is the medium term outlook one can expect from Brazil?
- H Balakrishna:** No, Brazil has been showing a growth of over 15% - 20%. I think we should be able to, look at something like 15%.
- Ravi Agarwal:** Then how many products would we have introduced here, all in the last nine months or so?
- H Balakrishna:** Last nine months we introduced two products.
- Ravi Agarwal:** And our target please.
- H Balakrishna:** Target would really depend up on the approvals that we would get from ANVISA. Yes, in this quarter and the next quarter we have the approvals, so we should be launching three or four products between January and June.
- Ravi Agarwal:** Thanks, just one question before getting into the queue. Any forex loss, gain in the quarter, vis-a-vis the last?
- Rishi Shah:** We have recorded Rs. 18 Crores of forex loss in this quarter.
- Ravi Agarwal:** Where is that in the accounts?
- Rishi Shah:** Other Expenditure.
- Ravi Agarwal:** This is for transnational, is it; I mean is it operational forex loss or is it national loss?
- Srinivasan:** Part of it is operational loss; part of it is due to hedges, which have been taken, which has been mark-to-market. See, way one looked at is, is this that sales revenues have actually realized much higher rates compared to what you see in the corresponding quarter of last year, right? Last year we recorded, let us say, at Rs. 45 and current year we have been recording sales at about say Rs. 52 in the quarter. So there is a net gain, which has

come out of this. There is an economic gain, by way of higher profits and that is offset by the forex losses, which is booked as a line item. Forex losses essentially coming out of, large part of it on account of hedging.

Ravi Agarwal: And in Q3 last year, what is the corresponding forex loss or gain and where was it recorded?

Srinivasan: There was a gain of about Rs. 7 Crores in the Q3 of last year.

Rishi Shah: Yes, it is again in the other expenditure part.

Ravi Agarwal: Okay, thank you so much.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. The next question is from Ashish Rathi from Equirus; please go ahead.

Ashish Rathi: Hi, good morning sir. My question relates to the domestic market. It is becoming a trend that you have not been able to; there is a very high growth in the domestic market like we used to do earlier. But could you just throw some colour as to why there has been a slow down and I understand in the press release you were mentioning that it is because of some acute therapy signet slow down, but as being a chronic segment heavy player, why is this slow down coming in because of acute?

Shivender Agrawal: Yes, as I discussed last time that there was an issue in acute therapy we identified products which we has not done well and last quarter we had taken some corrective steps and when we analyze that those products which were not doing well, have shown improvement. Yes, the improvement has not come fully but looking at the trend, I am sure that the trend will improve in the coming quarter also. Apart from that we have also identified some products need to be brought under focus for which we are segregating some products, which need to be brought in other



divisions, which we are launching. So that the product focus becomes much faster.

Ashish Rathi: Sir could you give us a break up of the chronic segment growth and acute growth?

Shivender Agrawal: Acute growth would be about 4%. There are two segments in chronic. In CNS our growth is about 20% and CNS is about 11%.

Ashish Rathi: What is the target you are looking at for FY'13? What kind of growth are we targeting the domestic market.

Shivender Agrawal: We are still working on that. I am sure in next one week we will be able to close.

Ashish Rathi: Thank you.

Moderator: Thank you. The next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Just wanted to get, if you can help us understand market share gains in Olanzapine ODT and Donepezil?

H Balakrishna: Which market?

Girish Bakhru: In US the two launches that we have done Olanzapine ODT and Aricept launch. Can you give us the market share?

H Balakrishna: Donepezil the market share has been good would be in double digits and Olanzapine also the market share is picking up. It is still early days to talk about the market share essentially because of more players will come in after sometime. It will be better if we look at market shares after six months of launch.

Girish Bakhru: Last call you had identified that you will be launching around four products in the US market in the second half. So one of course we have



launched. Are we in-line with launching three more products in the next quarter?

H Balakrishna: Yes, we are.

Girish Bakhru: Just lastly on Brazil you had mentioned that approvals are of course taking time but earlier we had given guidance of what some 30 odd products in two to three years. So is this still valid like why is this approvals coming littler slower than anticipated?

H Balakrishna: That's essentially because of the bureaucracy. When we talk about approvals there are two things we need to see. One is whether we are submitting the dossiers as we had planned and second is the approval time that the authority is taking. As far as submission of dossiers is concerned I would say we are on track, but the approvals are taking longer than what we estimated earlier. What used to take 12 to 18 months earlier, which now taking more than 24 months, it is something beyond our control.

Girish Bakhru: Alright thanks.

Moderator: Thank you. The next question is from Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Thanks for taking my questions. What I have observed generally in your March quarter, is some seasonality. So if I see last three years so if you can explain me what explains that part of seasonality in the March quarter? is it mainly coming from domestic and also can we expect the similar trends this year because your EBITDA margin also get impacted because of some lower trend growth rates vis-à-vis first three quarters?

Srinivasan: If you are talking about all the segments we normally see some fluctuations in the domestic business. The India business part of it. So that will broadly follow the trend of the earlier year.

Amish Kanani: So what is the seasonality if you can give some segment wise flavor or something, which explains that if you can. Just give you some quick number the first three quarters average last year was, say 550 Crores and Q4 last year was 500 Crores. Even the same number is observed in the previous year of FY'10 also. The average for first three quarters was 70 Crores whereas the fourth quarter was about 450 Crores or so. So there is a dip vis-à-vis the average of first three quarters. One whether we can expect this similar trend this year and two.

Srinivasan: That is why we need to look at each of the segment. Last year we had large adjustments coming in from the US. So on overall basis it keeps changing because of some or one of items, but there are no seasonality's attached. Only thing is individual business wise projections, one has to do to find out how much is expected for each of the segment. We do not give any specific projections.

Amish Kanani: I appreciate that you do not share the numbers per se, but one what are data mainly coming from domestic versus some either one of statistics.

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

Nitin Agarwal: Thanks for taking my question sir. I what is an impact of change the DPP norms in the current quarter?

Srinivasan: The DEPB we used to get a credit of about 5% on the sale, from international sales and now of course you get duty drawback, which is equivalent to 2%. So that has already resulted into a different margin. So on an overall basis at a company level you would have lost over 1% margin.

Nitin Agarwal: We would be booking a DEPB income in the other operating income right? What is the income that you booked on DEPB on account of which duty drawbacks in this quarter?



- Rishi Shah:** Around 5 Crores.
- Nitin Agarwal:** 5.5 Crores?
- Rishi Shah:** Nitin, DEPB has not been booked but instead of DEPB there is a duty drawback scheme, which is available, which have been booked. So it has shifted the head from DEPB to duty draw back scheme.
- Nitin Agarwal:** What is the amount that could be booked in the other operating income or it could.
- Rishi Shah:** 5.5 Crores.
- Nitin Agarwal:** 5.5 Crores. What was it last year?
- Rishi Shah:** Last year it was round 7.5 Crores. It also fluctuates on the quarterly sales so instead of absolute numbers we have to take percentage of the sales.
- Nitin Agarwal:** Right but when you say there has been impact is been a percentage how does come to a percentage point in terms of percentage of what, percentage of your net export?
- Rishi Shah:** On a standalone exports.
- Nitin Agarwal:** I just sort of missed the numbers that you gave on the chronic therapy growth. You said 20% was CNS and 11% was CVS?
- Shivender Agrawal:** No, it's other way round.
- Nitin Agarwal:** 20% CVS and 11% CNS. Lastly on the ANDAs how many ANDAs have we filed so far and how many are pending approval?
- Rishi Shah:** We have filed so far 65, 34 have been approved till date. 31 is pending approval.
- Nitin Agarwal:** How many of the 34 have been commercialized.



- Rishi Shah:** Around 18.
- Nitin Agarwal:** Lastly what would be your forex gain or loss that we booked for nine months in the numbers?
- Rishi Shah:** It is 18 crores loss, the same which we booked in Q3. Q1 and Q2 have been nullified.
- Nitin Agarwal:** So there is not much in Q1 and Q2.
- Rishi Shah:** There was but it had got nullified between each quarter and Q3 we recorded 18 Crores, YTD also 18 Crores.
- Nitin Agarwal:** Thanks Sir.
- Moderator:** Thank you. The next question is from Karthik Mehta from Daiwa Capital Markets. Please go ahead.
- Karthik Mehta:** If you could explain to me in terms of India sales growth, is it existing competition and at some point of time new pricing policy would get implemented and some MNC has been extremely aggressive. What is the India sales growth over the next two years would you be comfortable with because clearly it seems that with only actually CNS doing well 11% growth in CVS history on account of some pricing in some of the larger areas where we are there, so internally what is the number that we would be actually comfortable for India sales growth?
- Srinivasan:** Karthik, we do not give any specific estimates or guidance on the growth. So the broad expectation is based on markets and we do not want to lose any and if we want to post some increase in market share. So that is the broad development, but otherwise we do not give any specific cases on what will be our growth.
- Karthik Mehta:** Which is what we understand if competitors have been adding more people and some MNCs had new launches from September onwards where it would have hurt us. How do you look at that situation from your own to



the next two years and we have not done what the market has done. So do you think you would add more people, do think you would look at some MNA because under 10% growth for the very strong chronic company. There are some other areas, which are weak right.

Srinivasan: The emphasis is on reading the market right. So whatever has happened so far there have been a lot of learning to all of this and we have put in place action plans so in order to reverse the trend and come back to normal growth, which we will see in the coming quarters and with the guidance at least is that we have to be better than the market.

Karthik Mehta: In terms of the addressable market that you would have for your portfolio. Can you please tell us what has been the market growth for your portfolio for YTD vis-à-vis where you would be? I am just talking of India here.

Shivender Agrawal: Ok if we look at in cardiac, the covered market is growing by 18% and Torrent is showing 15% growth, in CNS the market is growing by 17% and Torrent is growing by 15% and in GI the market is growing by 17% and Torrent is growing by 9%, anti-infective covered market is growing by 10%, Torrent is growing by 17%, anti diabetic the covered market is growing by 23%, Torrent is growing by 20%.

Karthik Mehta: We increased our MRs from the last quarter and if you could share the total number of MRs as on date and if you would be may be adding in next one year.

Shivender Agrawal: As I said that we are hiring one more division so which will be increase about 15% of the field -force in acute therapy.

Karthik Mehta: So which will take the number to where Sir?

Shivender Agrawal: Total MR would be 3000.

Karthik Mehta: After this addition. Just one last thing from my side was something on the book keeping side. How are we hedged in terms, have we increased



outstanding hedges and have low uncovered position in lieu where the dollar was because Rs.52 to the dollar and with US growth 51% in this quarter. Can you share if there is any change in the hedging policy?

Srinivasan: Hedging policy is broadly like this. As far as receivables are concerned, this is clearly in the books already. We are almost closed to 100% hedge. So the receivables will realize what has been recorded on the book. The second part of it is that we also had the revenues. The revenues are hedged, we have hedged the revenues for Q4 and we have also hedged the revenues for the first half of next year.

Karthik Mehta: First half of next year is FY'13.

Srinivasan: Yes, coming financial year. When the rupees started moving up to let us say 51 to 52 at that time we started hedging for the first half of next year.

Karthik Mehta: For the input cost of raw materials.

Srinivasan: Imports we have not hedged. It is open. It is not significant.

Karthik Mehta: On the sales with Astra any timeline you would want to put and start off; on the sales with Astra any timeline on that contract in which quarter or in which year.

H Balakrishna: It depends on when they would get the approvals they have submitted for approvals in the various countries. Sales would be in-line with the approval timelines.

Karthik Mehta: You would not want to indicate.

H Balakrishna: Everybody waits for the approvals to come. So the plan could be that we get in 12 months 18 months but we end up taking 24 months, so it depends on that.

Karthik Mehta: I will go in the queue, thanks.



Moderator: The next question is from the line of Harpreet Kapoor from UTI Mutual Fund. Please go ahead.

Harpreet Kapoor: Thanks for taking my questions. Just wanted to know whether in Brazil are we profitable at EBITDA level now?

H Balakrishna: Yes.

Harpreet Kapoor: We would be reporting a positive EBITDA in this quarter or we were reporting in the last quarter as well.

Srinivasan: We do not give any specific EBITDA for any of the territory.

Harpreet Kapoor: No Sir I am not asking for the numbers. I am just asking the direction whether we have turned profitable that in the Brazil per se or not.

Srinivasan: We have been into profit zone for years now and Brazil has been posting one of the very good profit margins.

Harpreet Kapoor: On domestic this quarter we have anti-infective sector which has not been grown in the acute therapy, which would also mean that anti-infective. Will it be a right observation that we would have not grown in anti infectives s or will it be more to due to gastro.

Shivender Agrawal: It is in gastro, anti-infective we have done reasonably well.

Harpreet Kapoor: In gastro is it due to some pricing competition or overall we are losing some market shares because of the realignment.

Shivender Agrawal: It is because of stiff competition.

Harpreet Kapoor: The new therapy area that we are going to target, the acute; any colors on the same and what would be therapy area that we are targeting?

Srinivasan: Onco is something where we have made a beginning already, but as you know onco does not require too many MRs for covering the entire onco



therapy. We have already started on onco and we will start putting in products.

Harpreet Kapoor: And the incremental sales push apart from onco will be for which therapy area per se?

Srinivasan: The incremental, there is a new additional field force that we are talking about now is for addressing acute therapy.

Harpreet Kapoor: Okay. Thanks a lot sir.

Moderator: Thank you. The next question is from Monika Joshi from Avendus Securities. Please go ahead.

Monika Joshi: Hi thanks, just some color on interest cost, is there any particular reason why that is such a low interest expense this quarter?

Srinivasan: One is, we repaid some of the expenses for rupee loans and the second part of it is that having lot of surplus funds; the return in surplus funds have gone up because essentially that the deposit deliverables; we earn money on whatever we deploy, the deposits have gone up.

Monika Joshi: So any color on what is the current gross and net deposition on the company?

Rishi Shah: Monika we are uploading the presentation of the website, the numbers will be available from that.

Monika Joshi: Understood, just one question you would shared on your covered market growth and Torrent's growth and very honestly expect in one segment that does not seem to be too much of a deviation, so despite in most cases between a 15% to 20% growth, why is that in the last three quarters you have been hovering 8%-10%, so is there any difference between what you reporting in the Amex or your IMS data and compare to what you reporting on the company level?



Srinivasan: The difference is essentially between the companies' internal data and ORG reports. It's always been different and anyways ORG has always been sampling report right, sampling based reports gives different numbers. There is only an indicator, ORG reports are indicative of the market trends vis-à-vis our performance. Whereas actual performance is required is in the books is what finally we realize, there has been a difference, as all said and done, between the internal growth and the ORG growth.

Monika Joshi: So if I just put it differently did you have any inventory in the system that you know was being addressed in the last couple of quarters which probably is playing out now, would you see that your numbers will be more aligned to the industry source in the coming quarters?

Shivender Agrawal: There is no inventory in the pipeline, we have analyzed that; as Srini said that it is a sample it depends on what kind of a stockiest they are covering and based on that they extrapolate there can be a difference in external growth shown in the ORG versus internal growth.

Monika Joshi: Just one last understanding on the Astra contract we missed, you said that the contract you starting revenue in this following year is it FY'13?

H Balakrishna: It could start; what happens is that we are talking about a contract, which refers to several products in several geographies. So if the approval comes up for one product in a very small geography, yes technically the contract has started. But, it all depends upon whether the revenues that we are getting is significant or not. So, till we get the approvals in the relatively larger geographies for relatively larger products; there would not be much of significance.

Monika Joshi: Thank you so much.

Moderator: Thank you. The next question is from Mayank S from Birla Sunlife Asset Management Company. Please go ahead.



Mayank S: Hi sir I have got few questions. The first question is on the Sikkim plant. If I remember correctly this plant was commercialized sometime in April 2011. I just want to know, if you are also incurring some operational expenses over a year on a regular basis, which is nonproductive because I think we are not, it think last time we met about two months back. We were still not selling or making anything from this plant?

Srinivasan : I mean the plant is fully operational and probably more than 50% capacity utilization but on an overall basis the company now had three plants one at Chhatral, one at Himachal and the third one at Sikkim. So we have been using each of these plants depending on what is the capacity needs for which markets and hence on overall basis there is excess capacity available. The total capacity available if you see last year or the year before we would have been utilizing at a very higher level up to even have to say 80% which now has come down so that is resulted into pressure in margins in terms of manufacturing expenses.

Mayank S: Okay was not this plant also impacted in the earthquake, which was there in the Sikkim?

H Balakrishna: There was no impact of earthquake on the operation of the plant at all.

Mayank S: Secondly can you able to highlight something about the Mexico region and the Germany region?

Srinivasan: Mexico is so far going as per plan, it is too early to report any great improvement because it is a branded market and gradually building up, but overall the plans have been executed in a smooth way.

Mayank S: Okay but have the number of launches or number of products we are selling at market have they increased?

H Balakrishna: The number would obviously increase, but then please appreciate that it is a promotional model and not a distributor driven model, so the launches would not be, let's say ten launches in a year or something like that. So it



will be more in a gradual manner and one has to establish the brands. So yes we are launching this quarter, we would be launching one product, one is there in Mexico.

Mayank S: Okay right and on Germany any new tenders, which are coming up, so is the 14% growth, which we have seen in Germany in the current quarter. There were definitely some amounts of currency benefits also which would have been there in that right, how is the actual growth panning out in Germany and are there any new tenders which is coming up.

R Srinivasan: Germany the tender market, the tenders have been floated on a yearlong bases right so. You want to know the growth umbers, it is there is in the presentation, which is there but in terms of tenders. there was one recent tender from AOK where we got about five products. So it's a yearlong process. We keep gaining some tenders, losing some tenders. So that's how it is and the margins are as we have discussed several time early it is the single digits margin business. So there is no further, you already have lost enough margins and there is not further scope of reducing margins. So it will remain at this level.

Mayank S: Okay great thanks a lot sir.

Moderator: Thank you. The next question is from Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Hi thank you for taking my question; you mentioned that you are adding more field force in the anti-infectives if I am not wrong. So just wanted to understand do you see the incremental growth for you coming out of more product launches on the anti-infectives in the acute side or do you think that incremental in chronic will also contribute to growth or do you think you have covered all and there are no white spaces for you on the chronic side, I just want to understand the strategy?

Shivender Agrawal: As far the therapy coverage is concerned we are pretty strong on acute as well as chronic the purpose of adding a field force in acute is to bring more



focus on the exciting product, which was a limitation with the exciting division and we look forward that the growth will be contributed by all the segment as the market itself is quite good.

Sonal Gupta: And any plans on Germany even that you already said that the single digit margin business. What are the plans, you want to continue with this business. How do you plan to take this forward?

Srinivasan: Its a large business, it has been post and so far Y2D sale is about 265 Crores and last year we did about 45 million Euro business, so it's a large business so even a single digit margin throws up good amounts of profits and the interesting part of it is that there is a negative capital, there is huge amount of negative working capital in this, so there is no capital investment. So it's only if you look at return on capital employed, capital employed is nothing and so that way it's a low margin business, but then you do not have to invest a lot of capital in this.

Sonal Gupta: Are you investing any R&D for this thing?

Srinivasan: Very little R&D about 60% of the products are sourced from third party manufacturers and only 40% is internally sourced and most of that as well is coming from what the R&Ds spend for the other territories are being also used for the Germany operation. So, in that way there is no extra spend incurred in the R&D.

Sonal Gupta: What I meant was that for newer launchers are you still filing for approvals etc. so you making investment in R&D in Germany or is it just a manufacturing sort of business?

Srinivasan: The new products are basically a lot of products are in licensed from various parties so, there is some amount of investment in licensing cost and so to that extent and yes there would be expenditure.

Sonal Gupta: Okay thank you.



Moderator: Thank you. The next question is from Ritesh Poladia from RBS. Please go ahead.

Ritesh Poladia: Thank you sir. Sir in the domestic formulation what would be acute's proportion?

Shivender Agrawal: It is about 45% contributed by acute and 55% from chronic.

Ritesh Poladia: And sir you set some plans to launch more products in gynec about six products which was mentioned in the annual reports so what is the status on that and what is the go forward out for infertility?

Shivender Agrawal: Infertility will come somewhere in Q2 of the next year and out of the six products which you mention one product we will be launching in this quarter and balance in Q1.

Ritesh Poladia: Okay and what are the Capex that happened in YTD and FY'12 target and FY'13 target?

Rishi Shah: Generally we spend around 200-250 Crores of money on capex. Right now we are building our Dahej facility, which is in SEZ, so roughly on year-on-year basis our capex would be around 200-250 Crores.

Ritesh Poladia: Okay so FY'13 also would be in somewhere in the range of 200-250 Crores?

Rishi Shah: Yeah.

Ritesh Poladia: And lastly on any outlook on license fee how will be happening over next two to three years?

Srinivasan: There is no specific plan for license fee.

Ritesh Poladia: Okay that's all from my side thank you.



Moderator: Thank you. The next question is from Krishna Prasad from JM Financial. Please go ahead.

Krishna Prasad: Thanks for taking my question I think when you talked about adding a new division you said the total number MRs is around 3,000 currently is that correct?

Srinivasan: Yeah.

Krishna Prasad: I think in an earlier point you have talked about 3600 MRs at the end of FY'11 has there been any sort of attrition here or is there something that I am missing?

Shivender Agrawal: No. 3600 when we talked about it includes managers. 3000 when I say it is only medical reps.

Krishna Prasad: Okay this is the 3000 are number after adding 15% right or you would add 15% more to his 3000 number?

Shivender Agrawal: No it is after adding 15%.

Krishna Prasad: Okay got it, so you will add. So currently it is around 2600 and then you would add 15% to 3000.

Shivender Agrawal: That's right.

Krishna Prasad: Okay just one more question on you R&D expense. If I look at the nine month number its actually stayed flat for the year, if you could help us understand is there something that your currently not doing as part of your R&D part, for example is there any cut back on NCE front is it some that you would like to share here?

Srinivasan: No there is no cut back. In fact R&D on the discovery side the spend has been less and we will catch up during the next quarter as well. So in terms of overall percentage if you see the R&D spend as a percentage as sale.



But, the amount of the quantum of spend is slightly higher than what it was last year.

Krishna Prasad: And just to Brazil if you could help us understand I am mean currently how many products do you have and in terms of what is the current sort of launch plan for the next couple years?

H Balakrishna: Currently we have about 25-28 products and between the next six months we should be launching four products. Beyond that we are waiting for ANVISA to give us the approvals. There are enough number of products pending approvals.

Krishna Prasad: I think in couple of quarters back you talked about a new government scheme which is impacting sales in Brazil, is that situation got sorted out are you seeing strong secondary sales growth for your products?

H Balakrishna: Let's get that clear, the government's scheme really as far as we are concerned; the relevance of the government scheme is only with respect to one product, not with respect to all the products. So that government scheme is continuing the government is unlikely to roll that back they have found it to be useful, so that's going on.

Krishna Prasad: Okay thank you that's it from my side.

Moderator: Thank you. The next question is from Nimesh Desai from Motilal Oswal Securities Limited. Please go ahead.

Amit: Hello, hi this is Amit here, sorry earlier we got disconnected, sir coming back to domestic formulation business, I am having couple of question there. You mention in acute segment the growth has been lower for last two three quarters, so what are we losing on our on our exciting prescription share or its becoming difficult to garner new prescriptions in these segments?

Shivender Agrawal: It is predominantly garnering the new prescription.



Amit: So our market share in existing prescription is more or less same?

Shivender Agrawal: Yeah.

Amit: Have you taken any price cut in acute segment in light of the severe competition in last eight to nine months?

Shivender Agrawal: No, we have not taken.

Amit: And sir one more question there, when you say there is lot of competition predominantly the competition is from market leaders in the industry or it is from the marginal players?

Shivender Agrawal : I would say they are significant players which are not market leaders who has taken a lead.

Amit: So largely marginal players are taking the market share?

Shivender Agrawal: Yeah.

Amit: Understood. One more question on the US market as you said in Germany though the profitability is not higher in terms of EBITDA margins the capital investment or the invested capital is negative, it gives a good ROC; so the question related to US is first what kind of market share you target when you launch a product in US and at that market share may be I am not looking at the EBITDA margin but at that market share will the ROC equivalent to your company's overall ROC?

H Balakrishna: Amit as far as US is concerned the situation is this, when a product is being launched we do not know what the price levels would be, the price levels would depend on the number of players in the market whether we have an FTF status, who are the players whether they are predominantly from India or whether they are the Mylan's and Watson's of the world. So the only thing we can do is, we can typically it would be ideally yes, we would love to have 100% market share, but that is not something that going to be achieved, so let's say on an average we even target 10% market share at



the time of launch that by itself does not mean anything because that, we will have to see what the price levels are and if the prices levels are not attractive we may not chase the big business and we may chase only a small business. So that is why we have products with market shares ranging from 45% for some couple of products to even point one or point two percent.

Amit: Understood and Sir are we vertically integrated to manufacture API for all the products which we sell in USA?

H Balakrishna: Not for all of them, not from the current baskets; but going forward yes and we normally tend to have couple of sources.

Amit: Okay understood. I am taking that is from my side all the best.

H Balakrishna: Thank you.

Moderator: Thank you. The next question is from Nitin Gosar from Religare Asset Management Company. Please go ahead.

Nitin Gosar: Yeah thank you sir. Sir one thing you have said you are acute therapy in domestic market as grown by 4%, which eventually means that your chronic therapy is growing only 10%-11% and if we see the domestic market growth rate, they have only come down from 10% to 8% and now it is 7.5% over a period of last three quarters. So what is still giving with the feeler that going forward you will be able to reach above the industry growth rate?

Shivender Agrawal: We will be, as I said that we have taken certain corrective steps in terms of the structure in terms of the products, where we were not doing well. Aggressive activity has been started, so we are quite hopeful that we will be able to match the market growth.

Nitin Gosar: Okay and what can explain the chronic therapy growth rate of only 10%-11% for the quarter?



- Srinivasan:** No it is not 10%-11% for the quarter actually it is closer to about 15%.
- Nitin Gosar:** Is it due to the backward match of chronic acute breakup of 55-45 and acute growth of around 4%. So, if one-way to do that backward match, it gives you number of 10%-11% kind of growth rate?
- Srinivasan:** One would not do that for this quarter as it may slightly vary here and there.
- Nitin Gosar:** Okay the actual growth rate according to you is 14%-15% as of now for chronic?
- Srinivasan:** Yeah.
- Nitin Gosar:** And anything you want to reiterate on your earlier trends of US profitability that you will break even in FY'13 or is there any change in that?
- Srinivansan:** There is no change in that.
- Nitin Gosar:** Thanks a lot sir.
- Moderator:** Thank you. Ladies and gentlemen due to time constrains no further questions would be taken. I would now like to hand over the floor to Ms Perin Ali for closing comments.
- Perin:** Thank you, on behalf of Edelweiss, we thank management for taking out time and we thank all of you to join the call. We conclude the conference call now. Thank you.
- Moderator:** Thank you, on behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.