



“Torrent Pharmaceuticals Ltd Q4 FY15 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Torrent Pharma Q4 FY15 Earnings Conference Call hosted by Edelweiss Securities Limited. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Solanki of Edelweiss Securities. Thank you and over to you, sir.

Rahul Solanki: Thank you. On behalf of Edelweiss I welcome you all for Torrent Pharma's Q4 FY15 earnings conference call. We have Torrent Pharma management today Mr. Ashok Modi – Executive Director, Mr. Sanjay Gupta – Executive Director for International Business, Mr. Ruchir Modi – Executive Director Marketing and Mr. Sudhir Menon – Vice President Finance.

I would like to hand over the conference to Mr. Ashok Modi for opening remarks. Over to you sir.

Ashok Modi: Good evening everybody. I am Ashok Modi here and I welcome you all to our post results teleconference for quarter four and FY15 results. I have with me my colleagues Sanjay Gupta who is the Executive Director in-charge of International Operations Mr. Ruchir Modi who is the Executive Director in-charge of India and ROW operations and Mr. Sudhir Menon – Vice President Finance.

Let me begin by taking you through the operating highlights of the quarter and the year. During the quarter, the revenues of the company actually de-grew by 6% to 1154 crores versus 1225 crores in the previous year. For the financial year the total revenues grew by 11% from 4184 crores to 4653 crores.

I will now take you through the various segmental performance. The India formulation business grew at 55% with revenues at 396 crores versus 256 crores during the last year same quarter. After adjusting for the Elder acquired business, the Indian formulations business grew at 23%. For the financial year the Indian formulation business grew at 39% with revenues at 1609 crores versus 1161 crores and after adjusting for the Elder business the Indian formulations grew at 17%.

Now if you look at the market, as per AIOCD the domestic formulations business growth was 27% compared to the cover market growth of 16% for the quarter, 27%

was for Torrent. And for the year it was 16% for Torrent compared to the total market growth of 13% for the full financial year.

As far as the US business is concerned, the revenues for the quarter de-grew at 44%, however, adjusting for the one-offs, actually the revenues grew at 46%. For the financial year the US business grew at 7% but after adjusting for the one-off the growth was 54%.

In Brazil, the Brazil business grew by 10% and at constant currency the growth was 33% for the year. As per IMF, the growth in Brazil is at 24% and 23% for Torrent compared to the covered market of 20% and 18% for the quarter and financial year respectively.

As far as the EBITDA for the company is concerned, the quarter EBITDA was 22% compared to 29% for the same quarter of the previous year and the EBITDA for the financial year was at 27% versus 23% in the previous year, showing a margin improvement of almost 4% over the previous year.

The profit after tax for the quarter was 130 crores compared to 244 crores during the same quarter of the previous year which shows a de-growth of 47%. However, if we adjust the PAT for one off items, the growth for the quarter is 60%. Similarly for the financial year, the PAT was at 751 crores versus 664 crores in the previous year, showing a growth of 13%, however, once you take out the one-off effect, the quarter and financial year PAT growth is 60% and 71% respectively.

The company declared a final dividend of 6.25 per share. You would recall that the company has already declared an interim dividend of Rs.5 per share, so this takes the total dividend to Rs.11.25 per share which is at 225% and this is in line with the general policy of the company to distribute 30% of consolidated PAT as dividend to the shareholders.

Now I hand over this mike to Mr. Ruchir Modi to explain you a little more detail of the domestic market and other business.

Ruchir Modi:

Hi, good afternoon. From this financial year we would be segmenting our business into branded generic and generics rather than geographies. The new segmentation would be branded generics and under the branded generics the priorities would be India business followed by Brazil and Philippines. And under generics the priorities would be USA and others. So from now on you will see as you can see from the press release, the format in our presentations would be made in a flow. And with this

we will also discontinue the presentation that we upload before the call to the investors, we would be only sending the press release because it covers all the required details. Thank you very much.

Ashok Modi: So now we can start the question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Aditya Khemka from Ambit Capital. Please go ahead.

Aditya Khemka: Hi, thanks for the opportunity. Sir, can you please let us know what was the revenue in Europe this quarter?

Ashok Modi: Europe revenue this quarter was 220 crores.

Aditya Khemka: Okay. And what was the constant currency growth in Europe sir?

Ashok Modi: Constant currency growth in Europe would be about 5%.

Aditya Khemka: Okay. And what was the revenue in ROW markets including Russia CIS?

Ashok Modi: About 100 crores.

Aditya Khemka: Okay. And the constant currency growth there sir?

Ashok Modi: Again, about 3%.

Aditya Khemka: Okay. So sir my first question now is regarding your Brazil market, actually congratulations, the constant currency growth of 33% sounds amazing, that's very good growth. But on the INR reported growth of 10%, so basically you have seen a headwind of 23% due to currency, is that a correct assessment?

Ashok Modi: Yes, that's what it mean Aditya.

Aditya Khemka: So sir your other income has also come in at about that is 100 crores, do you have any hedging gains in that 100 crores?

Ashok Modi: Yes, the hedging gains are a part of that figure.

Aditya Khemka: Okay. So sir how much of our hedges is outstanding now?

- Ashok Modi:** We generally hedge almost the full year, so I would be having this figure off hand available with me how much is the hedge outstanding, we can perhaps share this with you offline separately.
- Aditya Khemka:** That's okay sir. And sir last question from my side, on the P&L if I look at your other expenses, right, so for this year you had quite a healthy growth in other expenses over last year. So what is this driven by, I understand most of this could be R&D, so could you disclose your R&D expense separately what was it for the full year?
- Ashok Modi:** You meant for the quarter or for the year?
- Aditya Khemka:** Sir both, for the quarter how much was your R&D and how much was your R&D for the full year?
- Ashok Modi:** So there is about 15% growth if you see from 898 to 1052 for the quarter, right. I am sorry, 347 to 396, other expenses, is that the number you are referring to?
- Aditya Khemka:** Yes sir.
- Ashok Modi:** So that's about 17%.
- Aditya Khemka:** Right sir. What I am asking is, how much of this is R&D?
- Ashok Modi:** How much of this is R&D! We will share that offline. I can share one thing, overall R&D expense is about 4.4%.
- Moderator:** Thank you. Our next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.
- Nimish Mehta:** Sir, once again on the other income part, you said hedging gains are a part of it, but on a Q-o-Q basis also if we see it has grown from 65 crores to 100 crores, so shall we say it is entirely because of hedging gains or how do we understand this?
- Ashok Modi:** Nimish, I appreciate this but I am sorry we won't be sharing the actual details of the hedging gains.
- Nimish Mehta:** Fine. I am trying to understand how much this is recurring, because that's a difficult thing for us to understand.
- Ashok Modi:** See, hedging gains by principle Nimish would never be recurring, because they would be also dependent on which way the currency movements are there and at

what time you have locked in the hedge and all that. So the hedging gains generally would not be recurring even on quarter-on-quarter basis.

Nimish Mehta: I am trying to understand the other income part, how much of that would be recurring, that's what I am trying to understand.

Ashok Modi: I am sorry but that is a question which we will not be able to answer Nimish.

Nimish Mehta: Okay, no problem. The other thing I am trying to understand is, again, on a like Q-o-Q basis,, last quarter we had a decline on the employee cost of the staff expenses wherein you explained that this was because of, I am not talking about Y-o-Y but generally speaking for the entire year last quarter was the lowest and you explained that there were some, you had reduced the sales force by 150 and that expenses will remain the same, but this quarter we are almost looking at some 200 crores to 235 crores of staff expenses. So any particular reason and like how do we even take it forward?

Ashok Modi: See, there was some restructuring of our leave policy during the last quarter and that involved the encashment of part of the leave for most of the employees, so that is something which would have added to this figure which I can share with you offline but that was the main reason for this increase of almost 35 crores over the previous quarter.

Nimish Mehta: Okay. So this is something that will happen every fourth quarter of the year?

Ashok Modi: NO, this will not happen because what has happened that, I will give you an example. Suppose I had some 200 leaves accumulated, so there were restructuring under let us say 25 leaves of mine got encashed and onwards it will be 175 only, so it is more of a one-off item.

Nimish Mehta: Okay. And yes, that was my another question, basically you mentioned about one-off item, is there any one-off item in this quarter, I mean I understand this leave policy would be one of them, anything else or if you can quantify the total of that?

Ashok Modi: Again, that would be something which we would not be really able to share with you.

Nimish Mehta: But is there any one-off item in this quarter? I mean, when you mentioned the adjusted profit, EBITDA and...

Ashok Modi: Yes, I can confirm that there are one-off items in this quarter as well, yes.

- Nimish Mehta:** And those are in the expense item, right?
- Ashok Modi:** They are in this quarter as well as there were some items in the similar quarter of last year.
- Nimish Mehta:** Yes. At least if you can tell us the nature of them, see one of the one-off items that I see in the last quarter was Cymbalta sales and related profitability, what could be the other things in this quarter as well as you may not quantify, it is okay, but at least some sense or some color as to what is it exactly?
- Ashok Modi:** One thing which is there is the Elder impact which is obviously there and that is the major one.
- Nimish Mehta:** That's a major, okay. So besides that there is not much in this quarter is what I understand?
- Ashok Modi:** That is right.
- Nimish Mehta:** Okay. And finally when I look at your Elder sale after adjusting your 23% growth Elder in domestic pharma, it is once again coming to a very low of 81 crores, so last quarter you mentioned there was an impact of channel filling, why are we not seeing any improvement in sales, it has been like the third quarter where we are seeing this 81 crores, or am I missing something?
- Ruchir Modi:** I think it's incorrect because we have always referred to the AIOCD numbers, we do not disclose division wise of segment wise topline, we have always referred to AIOCD numbers which is reflecting 120 crores. And when we said that 400 crores portfolio we have acquired on 2000 crores was also based on the IMS numbers. So that 400 crores to be brought back to the glory has already been achieved because today if we look at our nine months YTD numbers, we have already touched 300 crores plus and we still have one more quarter to go. Then this Q4 was 120 crores per AIOCD.
- Nimish Mehta:** Okay. But if I do the math, like you said 24% domestic pharma sales Y-o-Y ex-Elder, this is the number that I so I don't know what am I missing, if you can, it was like let's say..
- Ruchir Modi:** What you are missing is basically first of all, many of the brands of Elder are already in Torrent and one of the big Torrent division has been merged with Elder, so there is as such nothing Elder and Torrent separate as divisions or portfolio remaining now, half of the portfolio of Elder is merged with the Torrent 14 divisions and one of the

divisions is completely merged with Elder 2 divisions. So if you think about it in Q4, since we have continued the tradition of telling Elder and Torrent separately as per AIOCD, we are continuing this for this quarter for the last time, from now on we will not even disclose that. So many of the Elder brands are part of Torrent business now.

Nimish Mehta: And when you say 23% growth that includes those Elder brands which are now a part of Torrent?

Ruchir Modi: No, that is the carved out portfolio and Torrent brand separate, however this high growth you are seeing because of India business, I mean what you have to look at is 17% for the year and not what happened in Q4 according to me because there was a base effect last year Q4 of Schedule H implementation which had come for antibiotics and Alprazolam and kind of products. So if you see the industry bounce back of Q4 was also mainly based on that base effect and that is what is being reflected internally also.

Nimish Mehta: No, that is understandable. I am trying to understand the Elder pharma performance, so shall I take 120 crores as the base sales, I mean it is AIOCD number but is it fairly reflective of your internal sales as well?

Ruchir Modi: I can tell you Elder pharma business will be cash accretive in full year instead of second year announced earlier.

Moderator: Thank you. Our next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: Ruchir, one question I am unclear. The Elder sales implied by your disclosure is 81 crores this quarter, right? Forget about AIOCD number, that's what you guys are reporting now, right?

Ruchir Modi: We have always been reporting like that.

Anubhav Agarwal: Correct. So just one question on this quarter's sales, sequentially this is flattish down, you have taken price increase, right, so the benefit of price increase is still not visible in third quarter versus fourth quarter sales.

Ruchir Modi: See, I think the confusions are many because we are referring to two numbers all the time, one is the internal numbers which is given in press release, however, the external number is 15% higher because it is on PTR basis. When we acquired, it was 400 crores based on PTR basis and internal number basis it was 360 crores, and hence I think there is a confusion prevailing because of that. I have always been

maintaining to get back to the old base which is 360 crores on internal numbers and 400 crores based on the AIOCD or IMS reflection.

Anubhav Agarwal: Yes, so let's clear the confusion, I am talking only the internal reported numbers by you, I am not referring to AIOCD here.

Ruchir Modi: No, no the confusion is that when I have been maintaining that we are back to the old base of 12-13, then 400 crores is being compared, that is what I am trying to clarify.

Anubhav Agarwal: Okay. Now how about, you guys have taken price increase in Elder portfolio, right?

Ruchir Modi: Yes. So 81 crores I think Q4 is supposed to be the lowest base quarter for any company, in general, because of March slowdown.

Anubhav Agarwal: Okay. You are saying that volumes were lower in this quarter?

Ruchir Modi: In general it is, even Torrent if you see the overall sale value of Torrent versus other quarter is always lower value.

Anubhav Agarwal: Correct. So is that the only reason, okay, got it.

Ruchir Modi: I can tell you this announcement of cash accretive in the first year is I am making for the first time, it is going to happen in the first year that is what our business is doing right now.

Anubhav Agarwal: Okay, sure. And Ashok sir, just for some clarification, in personal cost this quarter how much is the actuarial impact on the liability side when you were revaluated because of interest cost?

Ashok Modi: I am sorry, I could not follow the question.

Anubhav Agarwal: On the personal cost of 235 crores, how much would be the impact of actuarial reevaluation?

Ashok Modi: Of what?

Anubhav Agarwal: Because of the interest rate change this quarter right, you would have revaluated your liabilities on the retirement benefit.

Ashok Modi: I am not having that value right now available with me Anubhav, we can share it offline.

Anubhav Agarwal: Okay. And on the other expenses, can you just qualitatively explain that why other expense is so much higher in the fourth quarter always versus rest of the year? Because when we see, the fourth quarter margins are very-very low for the company always, if I exclude the other income the EBITDA margins are very low in this quarter.

Ashok Modi: See, it is a 14% rise so I do not know...

Anubhav Agarwal: I mean sequentially other expenses have moved up 11%, right, and typically fourth quarter is much higher than the first three quarter average. So I am just trying to understand, is it like some repair and maintenance which comes at large or R&D expense is typically higher in this quarter versus rest of the year, what is the nature of this?

Sudhir Menon: No, I would not say that the expenses would be higher in the fourth quarter, the reason why it is looking higher as percentage to sales...

Anubhav Agarwal: No, I am comparing absolute number not percentage of sales.

Sudhir Menon: So I think the main reason is, there are two components, one is the fixed cost which grows at around 12% to 15% every year and since the sales has gone down those expense have continued growing one-off which has happened this year, reason why the expenses are looking a little high.

Anubhav Agarwal: Okay. I am not able to understand that because, see that would be happening in third quarter also, but my simple question was that why is your other expense typically very high in the fourth quarter versus rest of the year?

Ashok Modi: Okay. We'll give you offline then.

Anubhav Agarwal: Okay. Just last question on Zyg Pharma acquisition, is this the only asset acquisition or you got any ANDAs here as well?

Ruchir Modi: No, there is no ANDA as of now, no.

Anubhav Agarwal: Have you already started filing ANDAs in dermatology or now with the asset in place you will start filing now?

Ruchir Modi: So Zyg Pharma acquisition came with the USFDA approved platform where they already are manufacturing for one company in America, ANDA approved for that company. And there are 10 products under development and we would be filing

ANDA post the acquisition soon, after the development is completed at an advanced stage and where we will pursue more products when it comes to us.

Anubhav Agarwal: So just one clarity, these 10 products under development hopefully you think over next 12/18 months you can file those ANDAs there?

Ruchir Modi: I cannot disclose now unless the thing is over, but I can tell you this is the asset we are talking now.

Moderator: Thank you. Next question is from the line of Aditya Khemka from Ambit Capital. Please go ahead.

Aditya Khemka: Yes, thanks for the follow-up sir. Sir so on the ROW sales, your constant currency growth this year in ROW markets would have been in single-digits, is that correct?

Ruchir Modi: Yes.

Aditya Khemka: So sir what is driving the low growth because if I understand correctly, ROW would include markets like Philippines, market like Africa where you see the market growing in double-digits in both these markets, so why are we growing so low on a low base?

Ruchir Modi: Yes, so the other markets are drag actually, Brazil and Philippines is actually what is driving the growth what you see, the other markets like which are part of the 40 countries in ROW are not doing well.

Aditya Khemka: Okay. So what is our strategy going to be ahead would it to...?

Ruchir Modi: The strategy would be to consolidate and focus, enhance focus in Brazil and Philippine.

Aditya Khemka: Okay. So what sort of growth should we expect now going forward for this segment?

Ruchir Modi: Definitely plan to achieve India business story in Brazil and Philippines by diversifying into therapies we are present in India over there as well because currently we only have two therapies CNS and CND, we will now get into nine more therapies moving forward starting from derma, gynec, and ortho all the specialist driven therapies in those markets.

Aditya Khemka: Okay. So my second question was regarding our tax rate, so what is the tax rate we should expect going at?

Ashok Modi: Tax rate?

Aditya Khemka: Yes.

Ashok Modi: It should be, see last year and this year there is a marginal difference. So I would guess it should continue at the same level but I think it should be similar level.

Aditya Khemka: Okay. 18%, 19% which is.

Ashok Modi: IT's 20%, 21%.

Aditya Khemka: 20%, 21%, okay. And sir, regarding your CAPEX, so what is your CAPEX for this year and what are guiding for next year please?

Ashok Modi: This year you mean to say '14, '15?

Aditya Khemka: Yes sir.

Ashok Modi: This year the CAPEX would have been –200 crores.

Aditya Khemka: Sir I was asking question on CAPEX, what is your CAPEX for FY15 and what are you guiding for FY16?

Ashok Modi: FY15 was about 200 crores.

Aditya Khemka: And what is the guidance for FY16?

Ashok Modi: FY16, there should be an increase CAPEX, we are thinking of additional I certainly won't be able to share the details with you but we could...

Moderator: Sir we'll take the next question, lot of disturbance on the line. Our next is from the line of Abhishek Sharma from India Infoline. Please go ahead.

Abhishek Sharma: Sir, have you launched Abilify in the US during this quarter?

Ashok Modi: Yes, we have launched.

Abhishek Sharma: And sir what kind of pricing and market share are you looking at, is the pricing holding up?

Sanjay Gupta: Yes, so as we hear, we won't comment about it right now because it is relevant to the first quarter of current fiscal year. I would just say that we had a good launch and we will give our detailed figures at the end of quarter one results.

Abhishek Sharma: And the other question on the US was regarding a sequential \$8 million growth in the US business, so if you could just help us with that what led to that sequential growth.

Sanjay Gupta: Since we don't give product wise sales I don't know how to...

Abhishek Sharma: No, just some broad color, I mean in terms of was it because of new launches or did you take some price increases or?

Sanjay Gupta: No, in the fourth quarter we did not have any new launches and there has been some pricing positive impact coming through from price increases taken earlier. So here in the year we have taken price increases and in the US what happens is the impact takes a little time to flow through. So there has been a positive pricing, let's say environment for our product and we have also picked up market share on some, I would say some good products. So today we have about 14 products where we are in the top three players in the US and year ago that was in single-digit. So overall the momentum in our business both in terms of share and pricing has been positive.

Abhishek Sharma: Right, thanks. Just some color on market share, I mean has it been led by exit of an existing player or was it a natural, you grabbed market share due to pricing?

Sanjay Gupta: It is both actually, because some of the players have had quality issues and that results in opportunities and if you have ready stocks in the US you can pick up those businesses and the Torrent strategy has been to keep I would say a high level of working capital and method in API stock as well as finished product stocks in the US, and that has paid some dividends because we are in a position to meet customer needs on a short-term basis. And secondly I would say that the share has also increased because we focused on a very clear strategy of having anchor customers for most of our core products or most of our products actually. So we have been picking up one of the larger accounts and targeting close to 15% market share for all the products that we actively sell in the US. So we have been moving in that direction that results in sales momentum.

Abhishek Sharma: Great thanks. Just one last question, do you have any updates on the Dahej facility?

Ashok Modi: Dahej is proceeding for commercialization during the year.

- Abhishek Sharma:** There was a European inspection I believe, you had mentioned that in couple of quarters back.
- Ashok Modi:** Recently the plant was inspected and approved by US FDA as well.
- Abhishek Sharma:** Dahej?
- Ashok Modi:** Yes sir.
- Abhishek Sharma:** Okay. With the trigger product I presume, the first product?
- Ashok Modi:** Yes.
- Moderator:** Thank you. Our next question is from the line of Manoj Garg from DSP Merrill Lynch. Please go ahead.
- Manoj Garg:** Ruchir, like today you unveiled that going forward probably you will have two segments to report, one is branded generic and second generic-generics, so apart from just segment shift from reporting perspective, can we understand your long-term thought process and how we look the business in each of this segment over the next three to five years?`
- Ruchir Modi:** Yes, so basically currently revenue split between the two segments is 58 and 42 in '14-15 where we branded generics is dominating at 58. Moving forward in '15-16 itself we see the balance to 50-50 to be exact. And we see that the profit or the EBITDA ratios are also similar, I cannot reveal that segment wise or geography-wise but yes, both are becoming equally important if not more for a particular segment. So both segments need a different HR practices to needs starting from sourcing of material to giving to the end customer in the market and hence both the verticals to be run with separate philosophies what we thought will drive the engines faster.
- Manoj Garg:** And on the US side while we do understand that in the near term we have good launches, we are making now an attempt both from organic and inorganic perspective to ramp up our US pipelines. But if I look at beyond FY16 and if we talk about '17 and '18, do we have enough products Sanjay in the pipeline which keeps our US business growing at least in the near-to-medium term perspective?
- Sanjay Gupta:** Yes, I wanted to say that we clearly have work to do on the pipeline, so we have been recognizing it since quite a few quarters and what we have done as a result is recently we acquired two products from Sun Ranbaxy and so business development is a key part of our strategy to be able to augment this short-term pipeline lacuna and Zyg is a

part of the same project. Zyg by the way has also some other ANDAs which would be coming in the short-term, so that would help us augment this whole. So besides business development I would say that we are also counting on the fact that the review timings have gone down and we would be getting some of those products in this. But it is true that the number of ANDAs that we have right now are not to our satisfaction.

Manoj Garg: And still like one can say that Zyg has some pipeline products which may come coming in short-term, does it mean that they have already filed couple of products and probably you may see the actual commercial launch of those products or you are talking about in terms of filing of product coming from Zyg portfolio?

Sanjay Gupta: Cannot disclose until the closure as of now as per the agreement, but I guess there is a good rich pipeline starting from the second and third year.

Manoj Garg: Okay. And Sanjay how do you view this consolidation in the US, like possibility on Teva talking with Mylan and Mylan talking with Perrigo, and do we see that sometimes there is an opportunity comes in when there is an overlap of portfolio and if Antitrust ask them to divest this company and some of those products and how Torrent will view that kind of an opportunity?

Sanjay Gupta: So, I mean we have seen in the past, when Sun acquired Ranbaxy the FTC required them to divest the products and we were the acquirers of Minocycline tablets and capsules. Similarly we have been approached a few times in the past about these consolidations, so there are opportunities which come out because forcibly even such large companies overlap and we are in touch with the relevant people to position ourselves for such opportunities.

Moderator: Thank you. Our next question is from the line of Preeti Arora from Enam Asset Management. Please go ahead.

Preeti Arora: Sir, I just want the US dollar million sales for US in FY15 and fourth quarter.

Ashok Modi: About 35 million.

Preeti Arora: And sir for whole year?

Ashok Modi: About 135.

Preeti Arora: And any outlook you can give us for Nexium?

- Sanjay Gupta:** So I would just say that we are expecting regulatory approval any time and we have prepared ourselves for the launch of the product. But we are not privy to which week or when the FDA approval will come, but we have no pending issues from our side.
- Preeti Arora:** Sure. And how many products you have had a good start to the year in terms of approvals, how many products you plan to launch in US this year, any ball park figure?
- Sanjay Gupta:** Yes, 8 to 10.
- Preeti Arora:** And last question, see Brazil and Europe are good markets for you and we are hearing from other companies that Europe is picking up, so if you can just give us some broad guidance on are you seeing constant currency growth over the next two three years in these two markets?
- Ashok Modi:** Preeti, we generally do not give any numbers for the coming year.
- Preeti Arora:** I am not looking numbers but any qualitative comments like you expect approvals to pick up in Brazil, do you expect pricing to come back in Europe, or do you expect volumes to pick up, anything which you can help us?
- Ashok Modi:** See, '14, '15 we to my mind did reasonably well in Europe as well as Brazil. So certainly we hope that things will continue that way, but beyond that it would be not feasible for us to say anything.
- Preeti Arora:** Okay sir. Sir and last question, that question which Aditya asked, the CAPEX number for FY16, we could hear that sir.
- Ashok Modi:** No, '16 I didn't give any number so you would not have heard it.
- Moderator:** Thank you. Our next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.
- Nimish Mehta:** Sir if you can talk about the possible Detrol® LA that is the tolterodine tartrate would be helpful, are we expecting that any time as well?
- Sanjay Gupta:** Yes. So Torrent is again one of the hopefully near term launches and the market remains unsatisfied because there is very limited number of competitors right now in the market but only Teva and Mylan is selling. So there is strong potential and the pricing in the market is as of today it's well maintained, so we will see how many

approvals come and how quickly they can come. But from our side we are all organized to launch this product.

Nimish Mehta: So the branded sales as I understand was about 570 million post the generic entry it is still around 500, is that a fair understanding?

Sanjay Gupta: I would not be able to say because the IMS figures are notoriously unreliable for value, so we do our own customer surveys before we launch in terms of where the pricing in the market is and where we need to be. But I would not be able to share that our survey results, but I would say that the pricing is still not the typical generic pricing and there is a margin available in this product as of today. But the numbers of approvals is very large that margin can disappear very fast.

Nimish Mehta: So what is your expectation? You think that by the time Torrent gets approval it will be a commodity all it will be having....

Sanjay Gupta: I wish I knew, I don't know.

Nimish Mehta: Okay. Other thing generally if I look at your pipeline I see some of the extended-relief products Nexium, Detrol LA, so is it fair to assume that you also are targeting Toprol XL that is Metoprolol succinate extended release?

Sanjay Gupta: As far as the visible part of the pipeline that we have disclosed so far we have never spoken about that product, so I think from what you have seen so far there is no indication that we have our product. In terms of projects we have about 60 projects under works and there are additions and subtractions to it every quarter so I would not like to go into projects that are under works but currently in the filed products it's not there.

Nimish Mehta: Okay understood. And finally is there any impact of the adverse currency movements in Brazil and Europe and how much is that?

Ashok Modi: Yes there has been an impact but we would not be sharing the exact impact.

Nimish Mehta: But is it meaningful enough for us to be worried or some color would be helpful for us.

Ashok Modi: I don't think it is something which has significantly impacted the operations in '14-15.

Nimish Mehta: Understood. And have we booked minocycline sales in this quarter and if yes then is that the reason why the US sales have gone up or the reasons that you mentioned are also there?

Sanjay Gupta: The closing of contract happened in April for minocycline.

Nimish Mehta: I see, so it's not there, okay understood. If I can squeeze in one last one, you mentioned about number of launches about 8 to 10 in FY16 is that the same that we can expect in FY17 as well of it will come down?

Sanjay Gupta: I don't know yet because right now we are focused on this year, for next year we have not communicated any number as to what we expect. Maybe in the subsequent quarterly calls we can give an update as we get closer to do the timeline.

Moderator: Thank you. Our next question is from the line of Ranveer Singh from Sharekhan Ltd. Please go ahead.

Ranveer Singh: I wanted to reconcile that in case we report this Revenue under branded and generics so like other segments contract manufacturing or we used to report some revenue under others, so where will we be accommodating it under generics?

Ruchir Modi: That will be a separate thing because that's not a marketing effort but is more of a manufacturing thing so that would continue to remain outside of the branded generic.

Ranveer Singh: Okay. So the ratio what we have given 58% branded and 42% generics this year, that will change to 50-50 next year, that's what you said. That is excluding that contract manufacturing revenue?

Ruchir Modi: Yes. Because that growth is not in my hands, that's why.

Ranveer Singh: My question is the ratio what you give 58 to 42% for branded and generics that will change to 50-50% next year, this 50-50% is excluding that contract manufacturing revenue or including it?

Ruchir Modi: Excluding, we always exclude brands.

Ranveer Singh: Okay. Secondly for Elder portfolio I just wanted to understand that since we acquired to that particular portfolio per se what growth we have achieved?

Ruchir Modi: When we acquired Elder it had dropped significantly due to Working Capital issues, so we have always benchmarked that 12-13 base which was the glorious years of

Elder when they actually became the second largest company in multivitamins and nutraceuticals because when we took over it was 100 crores less than what we had signed during the BTA because of the Working Capital problem and hence in the first year of operation our aim was to get back to the 12-13 base and we are above that right now, internally and external reflection also.

Ranveer Singh: Okay. Earlier we used to hear there is 400 crores kind of revenue and in this 4th Quarter we see 335 crores roughly as per your internal reporting earlier. So this because we are benchmarking two years back that's what growth we are seeing, that's what you are saying?

Ruchir Modi: We are benchmarking one year back, '12-13 financial year. When we signed the BTA in December the turnover was 400 crores as far as IMS and AIOCD numbers are concerned. However, between December and July, just to clarify again the business had fallen so much that on June YTD the business was at 300 crores as far as IMS and ORG numbers are concerned. So my communication has been that my first aim for the for year is to get back to the 12-13 base when we acquired which was November YTD before the BTA signing on November MAT basis. So our efforts were get back to the base and today I can say that our acquired portfolio in February to April as per AIOCD is 125 crores we are way above 400 crores for '15-16 if you look at the AIOCD numbers on a MAT basis.

Ranveer Singh: Okay. And can you give guidance for FY16?

Ruchir Modi: No we cannot give guidance but one thing that I disclose for the first time we will be cash accretive in the first year which is two months more left.

Ranveer Singh: No, I am talking about overall company's guidance?

Ruchir Modi: We don't give out the guidance.

Moderator: Thank you. Our next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: One question, how many ANDAs in US did Torrent file in FY15?

Sanjay Gupta: We filed close of five ANDAs.

Anubhav Agarwal: And how many you would have filed over the last three years cumulative, just as an idea. My numbers show to be less than 15.

- Sanjay Gupta:** I'll have to get back to you because I don't have the data in front of me.
- Anubhav Agarwal:** Yes but would broadly look that number to be okay, just about 15 over the last three years?
- Sanjay Gupta:** I would think this will be a little higher than that but we can answer that question precisely, I'll have to look it up after the call.
- Anubhav Agarwal:** Okay so five this year but you do expect that number to reach to about 10 next year or closer to that in FY16?
- Sanjay Gupta:** Yes. I mean we have been investing in the pipeline for the last three years, so I would say the number of filings and the number of, I would say first-to-file products and the number of products outside of simple oral solids would be going up in the next 12 to 24 months.
- Anubhav Agarwal:** But what about the total ANDAs that you would be filing? When do we expect company to file double-digit ANDAs, let's say more than 10?
- Sanjay Gupta:** I would say our target is 15 to 20 and we hope to be there in 12 to 18 months on an annualized basis.
- Anubhav Agarwal:** Okay, that's helpful. Second question was on the Brazil market. In the 3rd Quarter we had a healthy growth of 19% Constant Currency. In the 4th Quarter we had 33%, so is it just this strategy playing out now and then the base has been set and probably this growth will be more like closer to market growth rate from next year onwards, or will it continue to grow significantly higher than the market on Constant Currency?
- Ruchir Modi:** So basically in Brazil also in January we adopted India business processes systems and model where we went for a therapy wise focus which resulted into almost 100 reps being rationalized. We have already in April the result would come where typically 80 people will be rationalized and moving forward you will see the numbers. The impact would have not been seen in Q4 and that is basically giving us the results where the alignment with India strategy is a leaner portfolio and specialist-driven model and also lesser field force, higher productivity and we are seeing a very encouraging results and these numbers to continue moving forward. I mean that's all I can tell you.
- Anubhav Agarwal:** Yes, so that's more of an internal reorganization. But what is leading to very high external sales?

- Ruchir Modi:** That is what I am saying that the specialist driven approach, Brazil also had a multi-specialty kind of approach as far as the promotion is concerned. But aligning with our core competence and values is what restructuring has brought these results; this is what I am trying to tell you.
- Anubhav Agarwal:** So which is here, the market will be growing at what rate? 10 to 15% in that range or probably even lower?
- Ruchir Modi:** Easily 10 to 15, easily.
- Anubhav Agarwal:** So would you think that you can continue to grow at 30-50% higher than the market roughly?
- Ruchir Modi:** I am saying we will outperform the market, that's all I am saying. I cannot give you numbers.
- Anubhav Agarwal:** Sure. And how many people do you have now finally after restructuring Brazil? I remember you used to have some 250 reps earlier?
- Ruchir Modi:** Reps we had 290, right Sanjay?
- Sanjay Gupta:** Yes.
- Ruchir Modi:** So it will be 200 reps and that balance 10 is managers which will be rationalized or is getting rationalized.
- Anubhav Agarwal:** So after this you will be left with 200 people?
- Ruchir Modi:** Yes.
- Anubhav Agarwal:** So as you were saying that you will roll out nine more therapies, so currently you have two or already rolled out some more?
- Ruchir Modi:** Brazil and Philippines we have only two where in CNS in Brazil we have are the top three in covered market and Philippines we have become the number one CNS company overall and hence like India we have Derma as the next focus through Zyg acquisition, which will make products for all over the world and India. We would gradually move to Derma and launch a division there next year and after that gynecology, so my approach in the new model is that instead of expanding in geographies I will consolidate and expand in therapies in the geographies where I am strong. It will be a gradual process. So nine divisions or nine therapies will not be a

big bang thing but I will end up one more therapy, then one more therapy in very few markets rather than going into geographies as growth drivers.

Anubhav Agarwal: But let's say second to Brazil here, you have a pipeline of about 25 products odd that will be mostly on CNS....

Ruchir Modi: That is all CNS and CND only.

Anubhav Agarwal: Correct, so this roll out either will happen through acquisition or if you try to do it organically it will take really long time.

Ruchir Modi: Through Zyg Pharma, dermatology for ROW, India, Brazil, and America.

Anubhav Agarwal: But how would it happen? If you file for a product today it will take another 3 to 4 years to get approval, right?

Ruchir Modi: No, we already have a platform made in India where dermatology business is almost (+50) crores and those products are made in house so we will be also using those platforms for certain markets here what we are talking of.

Anubhav Agarwal: The disconnect between my question and your answer was only this that I was talking about Brazil that lets say launching more therapies in Brazil, if you do it organically it will take another three years because you will be filing organically.

Ruchir Modi: There is also a possibility of licensing and taking from companies locally in Brazil but organically it will be three years you are right.

Anubhav Agarwal: But then the two things are not matching, you are rationalizing reps on one side or probably you will be increasing your reps as you roll out more in licensed products?

Ruchir Modi: Yes we will be increasing the reps after three years and that's a separate division and entity we are talking. I am saying that as far as my CNS division or CND division was concerned I only need the reps that I am talking of which I have rationalized. When I launch a different division as a different company within a company that's when I will have a separate field force and Derma field force in Brazil you don't need more than 30 reps across the country.

Anubhav Agarwal: You said 30 reps?

Ruchir Modi: 30. If you see the competition they have 30 reps covering the entire country.

- Moderator:** Thank you. Our next question is from the line of Aditya Khemka from Ambit Capital. Please go ahead.
- Aditya Khemka:** On Dahej, we have already got FDA approval and I understand that this FDA approval has come on the back of one sort of approval product being filed in the US. But when can we expect full-fledged filings to start from Dahej, any timelines there would be very helpful.
- Ashok Modi:** We are giving the finishing touch to the site and towards the later part of the year perhaps we should be able to start and commercialize the Dahej site. But yes, it should happen during this financial year.
- Aditya Khemka:** After the Brazilian Real depreciation is the Brazil business margin in-line with the consol margin or is it still higher than the consolidated margin?
- Ashok Modi:** No it has definitely come down but the specific margins are something which I will not be able to tell you but definitely there is an adverse impact because of the Real depreciation.
- Aditya Khemka:** And Sanjay sir, are we taking price hikes in Brazil to compensate for the depreciation?
- Sanjay Gupta:** It's not a one-to-one relationship so we are taking price hikes in Brazil and we are allowed to take so by law every April and we have gone to the maximum extent permissible.
- Aditya Khemka:** Okay. And when was this taken, this price hike?
- Sanjay Gupta:** It's taken every year. In March-April there is a law which allows us to compensate by inflation and there is a state determined figure but this year we have taken to the full extent.
- Aditya Khemka:** And what would that extent be if you don't mind sharing that?
- Sanjay Gupta:** Usually it's in the range of 7-10%, that varies a little bit by product but it's in the 7 to 10% range that you are allowed.
- Aditya Khemka:** Okay. My last question is on Abilify. Congratulations on the approval and the launch. Would you say the pricing and the end product market is substantially higher than what you would see for a commoditized product?

- Sanjay Gupta:** Yes of course.
- Aditya Khemka:** So should we assume that like gross margins more than 50% on that product?
- Sanjay Gupta:** Ashok Bhai will comment upon the growth margins but I would just say that the market right now is a four player market and since the product is a, it's essentially a very large product even in the terms of tablets its more than 300 million tablets annually, I would say that the pricing is holding up for now.
- Aditya Khemka:** So just to understand that better, discount to the branded price generally in a four player market would be 30%, 20% in that region historically speaking. Would you say Abilify is between that 20-30% pricing of the branded product or would it be substantially higher than that?
- Sanjay Gupta:** I don't want to comment upon your metric because I am not sure I agree with that because we all have our own experiences, so I would just say that Abilify pricing in the market is where it should be with the four player market.
- Ashok Modi:** Just thing from me Rahul if I can say to everybody that on the Elder acquisition which we completed last year we are saying that we would be EPS accretive on that by the end of the second year. So earlier when we had said that the target was to be EPS accretive in the third year, so now we are saying that most probably we should be accretive by the end of the second year.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the floor back to Mr. Rahul Solanki for closing comments. Over to you sir.
- Rahul Solanki:** On behalf of Edelweiss we thank all participants and Torrent Pharma management for this interaction. I will hand it over to Mr. Ashok for any closing comments. Over to you sir.
- Ashok Modi:** I thank you very much all of you for participating and asking some really interesting questions. And I look forward to your continued interest in the company as we go forward. Thank you very much.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Edelweiss Securities Limited that concludes this conference call. thank you for joining us and you may now disconnect your lines.