



“Torrent Pharma Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Torrent Pharma Earnings Conference Call 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 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. Deepak Malik from Edelweiss. Thank you and over to you Sir!

Deepak Malik: On behalf of Edelweiss, I welcome you all for the Torrent Pharma Third Quarter FY 2016 Earnings Conference Call. From Torrent Pharma's management, today we have on call Mr. Ashok Modi – Executive Director, Mr. Sanjay Gupta – Executive Director – International Business, Mr. Ruchir Modi – Executive Director for India and ROW Operations and Mr. Sudhir Menon – Vice President – Finance. I would like to hand over the conference to Mr. Ruchir Modi for the opening remarks. Over to you Sir.

Ruchir Modi: Good evening everyone. Let me first take you through the operating highlights of the quarter. During the quarter the total revenues of the company grew by 32% at Rs. 1539 Crores versus Rs. 1168 Crores in the previous year. The EBITDA for the quarter was at 43% compared to 26% in the quarter of the previous year. The profit after tax was at Rs. 483 Crores compared to Rs. 167 Crores in the same quarter of previous year showing a growth of 189%. The company has declared an interim dividend of 400% that is Rs. 20 per equity share of Rs. 5 each fully paid up for the year 2015-2016.

Coming to India business, we have achieved revenue of 446 Crores with a growth of 7% in Q3. We are not sharing EPL and TPL portfolio growth separately from now on as such growth are equal and integration is over, so we do not look at it separately anymore. As shared in last concall the discontinuation of discount and bonus would bring long term margin benefits in addition of prescription driven sustainable business model. The impact of the same was partially seen in Q3 as well. Growth of 7% in Q3 does not reflect the complete underlying picture as growth was higher towards second half of the quarter. Moreover, benefit in the margin is much higher than the temporary top line loss. Shelcal and Chymoral are growing at a very fast pace as per AIOCD December data set. I had mentioned in the past that brand extensions of Shelcal also have a very promising future and today we are happy to share that Shelcal CT also has entered the list of Top 500 Brands for the industry in December 2015, which is one of the recent extension launches of Shelcal. Both key brands Shelcal and Chymoral continue to outperform the market consistently and the growth drivers for Shelcal will remain higher penetration in to key segments like gynecology, orthopedics, CP and in case of Chymoral it would be orthopedics and surgeons where there is a huge untapped potential. As per AIOCD December 2015 data set, Shelcal has registered sales of 293 Crores and Chymoral has registered sales of 133 Crores at group level. As per AIOCD, as a company we are growing by 20% against the market growth of 14% on MAT basis December data set. We continue to focus on specialities, science, MR productivity for India business. We have four new products in the quarter

out of which three products are in licensed. We have launched a new gastro division which will be catering to hepatology and gastroenterology segment. We have also launched one derma division for high-value cosmetic products and we have also launched one rheumatology division for one of our key biosimilar product that we have launched which is actually the world's largest molecule adalimumab. We have merged our gynec division Sensa with one of the Elder division in addition to the ortho division which we had merged last year. This has resulted in rationalization of around 227 field staff. Now synergy realization is broad based with maximum achieved through volume growth and equal through price increase and cost savings. Definitely one of the major cost savings would be the second division merger which took place in December. In totality, we have achieved a field force rationalization of around 300 plus field force in Q3 alone and 600 plus in YTD December. We being a productivity driven business our productivity for the quarter has grown at 31%. PCPM has grown to 5 lakh plus based on internal sales versus last year 3.8 lakhs. Our attrition rate is also far below the industry standard and is around 10 to 11%.

Coming to other BG markets, Brazil is impacted by the currency movement and realignment of channel inventory; however it continues to outperform the market. As per the latest IMS data the growth is 24% compared to covered market growth of 20% in value terms.

Coming to USA the US business, revenues for the quarter grew by 226%. We are committed to strengthen our capabilities in complex speciality products which enhances the life cycle of the products and business development while ramping up our pipeline with products like ointments, injectables and speciality oral solids. We are also simultaneously exploiting business development opportunities for the organic growth like we have laid the foundation stone of oncology manufacturing facility and also through inorganic route like in-licensing deals and acquisition opportunities. Current quarter and YTD basis performance has continued to benefit due to high sales of our largest product, however base sales also recorded exceptional growth with support of new launches like esomeprazole and generic Detrol. During the quarter esomeprazole monthly market share is 4% and we expect our share to grow up as existing customers shift from brands to generic. That was an update on the performance of Q3. We now invite questions from all.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nimish Mehta from Research Delta Advisors, please go ahead.

Nimish Mehta: Thanks for taking my question and congrats for a great set of numbers. My first question is related to the margin in the domestic business, you mentioned two things, obviously one was discontinuation of margins and bonuses to the chemists and second is the rationalization, so if we were to rank order, which one had a higher impact in this quarter between the two?

- Ruchir Modi:** I would say definitely the schemes and bonus reduction had a higher impact on margins. Rationalization is a process, it takes time, this is a unionised category, so we have still some float in the system.
- Nimish Mehta:** You said the impact of the schemes and bonuses we have not yet captured so is it, in terms of margins will it still go up or is it in terms of the sales growth that we have achieved.
- Ruchir Modi:** What I said was 7% growth is not reflective of the real performance. Since the second half of the quarter growth is far better, so typically what I meant is every month on month, October, November December, November growth was much better than October and December growth was much better than November, so every month we are seeing a sequential bouncing back phenomenon. We have come back to normal level growth by the end of the quarter basically. On a quarterly basis the average is 7%.
- Nimish Mehta:** For H2 do we expect to come back to the market growth, overall market growth, is that a fair understanding?
- Ruchir Modi:** Yes, I think market growth will be coming in Q4 itself but we will start beating market growth from Q1.
- Nimish Mehta:** Secondly on the US market, I understand both Nexium and Detrol are having single digit market share, if you can just throw some light on the kind of price erosions that we have seen and are we seeing any pricing pressure after the re-entry of Dr. Reddy's?
- Sanjay Gupta:** Eesomeprazole is a very competitive product. We have not seen incremental pricing pressure after Dr. Reddy's has come back and I do not know if they have come back fully or only with limited quantities but essentially the impact has not been felt. On tolterodine it is essentially a three-player market, so hence the prices prevailing in the market or more, I would say in line with three-player generic market.
- Nimish Mehta:** So, that has also contributed to the overall market, is that a fair understanding?
- Sanjay Gupta:** Yes.
- Nimish Mehta:** If you can just guide on the number of launches that we expect in FY 2017 in US that could be great?
- Sanjay Gupta:** It would be between 8 and 10.
- Nimish Mehta:** Would you be expecting a couple of high-value or low competition launches?

- Sanjay Gupta:** Statistically speaking that would be our expectations but I would not be able to tell which one will be let off but with 8 to 10, you can expect maybe a couple at least where the competition would be somewhat limited.
- Moderator:** The next question is from the line of Anubhav Agarwal from Credit Suisse, please go ahead.
- Anubhav Agarwal:** Good evening. One question on the other expenses this quarter, the absolute run rate has dropped significantly almost by 40-45 Crores; can you provide some explanation for that?
- Sudhir Menon:** Anubhav, the expenses have actually come down during this quarter because the promotion expenses are lower compared to the previous quarter, so it is not a one off thing which has happened but there has been an actual reduction in expenses.
- Anubhav Agarwal:** But would the promotional expenses just be like 40-45 Crores; that will be a very high number given India's previous level?
- Sudhir Menon:** It is a combination of various factors. For example, what Ruchir just spoke about certain bonus offer schemes reduction which is part of the promotion expenses, and generally the promotion expenses for the company has been lower.
- Anubhav Agarwal:** Okay, so then when we forecast we now assume that this is the run rate for you in terms of percentage or sales or whichever way we put it, this is based on one off in this quarter?
- Sudhir Menon:** On an average, we have been saying that it should be around 360 to 370 but this quarter has been lower.
- Anubhav Agarwal:** Ruchir Sir, this question on the India growth, when you are saying that second half was better are you doing anything proactively from your side when you have reduced the bonus offers or is it something which is naturally you expect sales to just pick up after some time because given the prescription pool the chemists will continue to fill prescription, they will not substitute it for something else?
- Ruchir Modi:** Absolutely, naturally, we are not doing anything extra but consistent in our practices what we have been doing since the last three years, nothing new.
- Anubhav Agarwal:** Just one question for Sanjay Sir, Abilify now in January versus December quarter, has anything changed or are we even now continuing to see what the way we have performed in December quarter in Abilify?
- Sanjay Gupta:** It remains a good product but as with time the competitive intensity has gone up with an impact on pricing, it remains a very interesting product for the company?

- Anubhav Agarwal:** You mean to say even now in January the prices are down versus December average?
- Sanjay Gupta:** I would not be able to comment specifically on the prices in January every quarter the sales are little lower than in the previous quarter and not because we have lost share but because you try to keep yourself competitive or you try to keep your customers competitive when they have competing offers from other companies.
- Anubhav Agarwal:** Sir, the Dahej facility which you had started when do you think the impact will start reflecting on the sales numbers?
- Sanjay Gupta:** We will be starting to ship goods to the US from April onwards.
- Anubhav Agarwal:** And to the other markets?
- Sanjay Gupta:** I think initially we will focus on the US and then the other markets would follow but the facility is approved by the European authority since last year and the Brazilian authorities are going to inspect it in Q1, so I think initially we will focus on the US and gradually move to the other territory.
- Moderator:** The next question is from the line of Purvi Shah from Sharekhan, please go ahead.
- Purvi Shah:** Thanks for taking the question. I just wanted to know on Dahej, since we have said that we will be supplying to the US, is the plant FDA approved and also wanted an update on the inspection of the other plants also.
- Sanjay Gupta:** This Dahej facility is caught in a strange situation because we had a successful inspection and we are still waiting for the EIR to come but we have already successfully received product approvals from that facility, so technically there is nothing which stops us from shipping products, so we are waiting for the EIR letter to arrive and we are quite hopeful that it will arrive between January and March of this year, so we will have no problems shipping goods from April.
- Purvi Shah:** Sir how many products have been filed from this site so far?
- Sanjay Gupta:** From Dahej during the course of the next fiscal year we would be starting to ship about close to 10 products.
- Purvi Shah:** What is the inspection status for the other plants, Indrad and the other plants, when have they inspected last?
- Sudhir Menon:** Indrad was inspected somewhere in March and EIR is already come for Indrad plant.
- Purvi Shah:** You mean March 2015, it was already done and EIR has come.

- Sudhir Menon:** That is right.
- Purvi Shah:** Sir the other question was on the taxation front, what is the tax rate we are looking for this year?
- Sudhir Menon:** It should be between 25 and 28.
- Purvi Shah:** Do you mean that Q4 tax rate would be much lower than what we have paid so far because I guess...
- Sudhir Menon:** On an YTD basis, we are looking at a tax number of 30% right, so Q4 should be little lower.
- Purvi Shah:** Sir on the interest cost that is going down, if you could just give some broader guideline as to where do we see this going forward, because quarter-on-quarter it has come up from 58 to 48 to 42?
- Sudhir Menon:** The only thing which has happened is the repayments have started for the loan which we had taken for the Elder acquisitions, now sequentially you will find the interest cost coming down.
- Purvi Shah:** Sir, if you can just give us the debt and the cash number?
- Sudhir Menon:** The total debt which we had in books was around 2000 Crores and the cash was around 1200 Crores.
- Moderator:** The next question is from the line of Aditya Khemka from DSP BlackRock, please go ahead.
- Aditya Khemka:** Hi, thanks for taking my question, Ruchir Sir, firstly on Elder, have we again taken price hikes in November or December on Shelcal, Chymoral all these products?
- Ruchir Modi:** Yes.
- Aditya Khemka:** So, the full quarter impact of those price hikes would probably be reflected in Q4, is that a correct understanding?
- Ruchir Modi:** Yes, in Q4 basically.
- Aditya Khemka:** Secondly on the Dahej facility, is my understanding correct that we were facing some sort of a capacity issue at our Heumann plant in Germany and this Dahej facility was supposed to sort of help us in ramping those sales up, is that not correct.
- Sanjay Gupta:** We are facing a general capacity constraint for the regulated markets, essentially for oral solids we just have the Indrad plant approved for the US and as far as European business is concerned we have the Indrad plant and the Baddi plant approved for Europe. Both these plants are kind of running very tight on capacity. We have moved the European business from Indrad to Baddi and Indrad is almost exclusively used by the US and Baddi is very focused on Europe and Brazil and that is the situation

today. The goal for setting up Dahej and it will have the capacity to meet the needs of growth for both Germany and the US business, so the initial priority right now is for the US but eventually, the European approval is already in hand, so we will start shipping to Europe also but that I would say a few months behind the US shipment but the goal for Dahej is to support the growth in both Germany as well as in the US.

Aditya Khemka: Sanjay Sir, I am just struggling with why Europe is behind US because in US you have to still wait for the EIR, then ship the product, ANDA approvals and my understanding was previously that in Heumann we could have taken more orders and we could have ramped up production had we had the capacity which we did not have and Dahej gives us that capacity, so why not do Europe first, which seems to be the lower hanging fruit there?

Sanjay Gupta: Yes, the inspection was in December, so we were just kind of waiting for some site transfers to come through, so technically we could start shipping before April for Europe but I think also because of certain tax laws in India we prefer starting shipping in April only.

Aditya Khemka: On Zyg Pharma, Sanjay Sir, again where are we on the ANDA filing, when do you see the first ANDA, dermatology ANDA coming through from Zyg in terms of at least filing?

Sanjay Gupta: We are targeting right now initially three to four filings a year and the first three to four would be in the next fiscal year.

Aditya Khemka: Is the Zyg facility already inspected and approved by the FDA?

Sanjay Gupta: In 2014 it was already approved.

Aditya Khemka: Question for Sudhir Sir, if I see your standalone versus consolidated, this quarter your standalone profit is 218 Crores, help me understand something, in our transfer pricing do we book majority of our US profits in the US subsidiary or are the majority of profits booked in the Indian parent entity?

Sudhir Menon: You are right, as per the transfer pricing mechanism the model which we have built in and the benchmarking which has happened from a transfer pricing perspective the substantial part of the profits are retained in India.

Aditya Khemka: Hence my question is how come you have such a huge disparity between consolidated and standalone financial numbers?

Sudhir Menon: Basically if you look at Q1 & Q2 where the shipments of aripiprazole had happened for US and we had talked about a huge amount of unrealized profits which was one of the basic reason tax rate was very high, so what actually happens the stocks which have left from India are lying still in stocks in the US, so as and when the stocks are getting sold out, it is getting added to the profits as far as

consolidated results are concerned. So there was a high amount of profit which was there in the standalone in the earlier quarter which is now getting reversed because those inventories are getting sold and when you make a consolidated financial statement that is when the profit and revenue comes in the financial statement.

Aditya Khemka: Understood. I appreciate that but that also means that in this quarter we did not ship much of aripiprazole to the subsidiary?

Sudhir Menon: Yes. I think that is the right assumption.

Aditya Khemka: Sanjay Sir, amongst the three products, Nexium, aripiprazole and Detrol LA, the three recent launches, I am just trying to get a sense of relative size of these products for us, would you say aripiprazole is like 2X of Nexium and Detrol put together, 3X, 5X, how large is aripiprazole in this quarter, just relatively, I do not want a number?

Sanjay Gupta: Aripiprazole is a very large product and these two are just taking their initial steps and the launch cycle, so I would not like to compare them amongst themselves. Esomeprazole is really right now totally dominated by the brand with 60% market share, so you would see a gradual ramp up for all generics of esomeprazole. Most of the customers are keeping both brand and generics, it is very early days and tolterodine is a much smaller market, so I would not say that there is a comparison between the three products as of today.

Aditya Khemka: Ruchir Sir, biosimilar we have launched adalimumab, we had three products licensed from Reliance Life Sciences, have the other two been launches?

Ruchir Modi: In the Q2 con call I had mentioned rituximab which was launched in August and adalimumab is the second one.

Aditya Khemka: Will the third be launched soon?

Ruchir Modi: In the next financial year.

Aditya Khemka: Are we looking to extent this partnership to more biosimilars.

Ruchir Modi: Yes, may be we are talking to them.

Aditya Khemka: Because my understanding is that Reliance Life Sciences is actually developing the entire basket of 35 biosimilar products and they need a marketing partner and they do not have one.

Ruchir Modi: We are talking for larger strategic partnership rather than product wise, but I cannot discuss it right now.

- Moderator:** We have the next question from the line of Nitin Gosar from Religare Invesco, please go ahead.
- Nitin Gosar:** Hi Sir, just on Brazil, can you give some kind of qualitative understanding on the volume growth?
- Sanjay Gupta:** The underlying volume growth for year-to-date is essentially 15% for us and this compares quite favorably to the market which is growing in single digits. Our volume growth would be even higher year-to-date about 20% if we took out what we call the government tender business because essentially because of the fiscal situation in the country the municipal hospital, the state hospitals and the territory hospitals they are facing a resource crunch and we do not like to sell if we do not collect payments, so we have essentially cut down a lot on our business with the public hospitals and it is a negative growth rate, so it brings down the overall growth rate but the trade business, the branded generics business where we promote to physicians which is the core of our operations in terms of unit growth in the domestic market in Brazil it is close to 20%.
- Nitin Gosar:** On the MR strength, have we cut down further MR in Brazil?
- Sanjay Gupta:** As of now, yes, it is an ongoing strategy, so it is very simple, I would say cut and paste of the successful track record that we have in India and we have cut down further 50 people in the last 12 months.
- Nitin Gosar:** What would be the current number right now?
- Sanjay Gupta:** Right now, the overall head count of the company is about 470 people.
- Nitin Gosar:** What is the R&D cost on YTD basis?
- Sudhir Menon:** It is around 4%.
- Moderator:** The next question is from the line of Nimish Mehta from Research Delta Advisors, please go ahead.
- Nimish Mehta:** Thanks for taking my questions again, just a bookkeeping one, and the R&D expense for the quarter that would be helpful if you can give that?
- Sudhir Menon:** It is around 4% on a quarterly basis as well as YTD basis.
- Nimish Mehta:** If you can also let us know the growth rate or some colour on the European business that would be helpful?
- Sanjay Gupta:** Our European business essentially is composed of two part side, it is our own affiliates in Germany, UK and Romania and then what we call the dossier licensing business, while the position continues to be extremely strong in Germany and Torrent has been growing and maintaining its Top 5 position in

the German generic market, so there is no change in momentum in Germany. For the other markets we have not been doing too well and the basic reason is that because of kind of lack of capacity or manufacturing capacity to supply goods to those markets we have had to prioritize ourselves and overall from a corporate perspective we prioritize the US, Brazil and Germany in terms of allocating our manufacturing capacity, so we go forward we will see increased momentum in UK, Romania and enhanced supplies to our partners in other parts of Europe.

Nimish Mehta: Okay, that would start basically from April when you are planning to have Dahej facility.

Sanjay Gupta: Essentially it is like fungible commodity right, manufacturing ability, so as US moves to Dahej it frees up capacity in the other plants which allows other countries to get goods also, so once when get this new plant on stream you should see an impact across the board in the organization.

Nimish Mehta: Finally on adalimumab if you can just let us know how much the pricing vis-à-vis the innovators pricing in India, with what discount are we selling it and what is the kind of response we are getting.

Ruchir Modi: The response is really very encouraging because due to Chymoral there was a very strong equity with rheumatologists where it was prescribed maximum and it is one fifth of the innovative price, hence it has become quite affordable to patients and we are getting very good response from these 500 rheumatologists that are there in the country, very niche segment but very high value and there is no discount or push sales like it is there in oncology.

Nimish Mehta: What do you think would be the market at whatever price you are selling for adalimumab in India?

Ruchir Modi: According to us market would be right now 50 Crores already with only one player present we entered in December first week actually, so before that what we understand it is 50 Crores.

Nimish Mehta: Like there would be hidden market right, any estimate about that, how much that could be at a right price it will kind of come out is what I am assuming?

Ruchir Modi: It is a therapy market.

Nimish Mehta: Yes, correct, so adalimumab the compounds market as such?

Ruchir Modi: Basically this is a biosimilar and it is first biosimilar as a first line therapy in rheumatology. Rituximab was there but it was third line, whereas this is more first line therapy, so there is no real biosimilar competition available, you can say that we are still educating doctors how to prescribe this because they have not used any biosimilar yet actually, so I cannot compare but therapy I can, there are oral tablets for the same thing, so the market is around 1100 Crores, but oral tablets price wise is very less.

Moderator: The next question is from the line of Rahul Bajjal from Bharat Axa Life Insurance, please go ahead.

Rahul Bajjal: Sir, in terms of aripiprazole I just wanted to check how many more players are you expecting to enter in the short term.

Sanjay Gupta: It is difficult for us to guess but the folks in the patent litigation nine of them have not yet launched. I think out of the nine there may be two or three who have dropped their plans to launch and you probably have five to six players who will have the possibility as they get approval to launch if they decide to launch at risk and continue with the litigation, so yes, over a period of time you can expect five to six additional players.

Rahul Bajjal: Sir, after the entry of Hyderabad based Indian player recently has there been a material drop in the pricing or it has not been that material, at least qualitatively can you give us some direction?

Sanjay Gupta: Are you talking about aripiprazole?

Rahul Bajjal: Yes.

Sanjay Gupta: Actually the prices the general trend eight months in to launch with already seven players in the market is pricing which is declining. I cannot attribute it to them per se, but overall the trend in pricing, you know, that would be reflected in our quarterly sales numbers also, so even though we might hold on to our market share but the pricing will not be the same from quarter to quarter, but I cannot tell you that it is because of this launch and that launch because folks have been very reasonable in terms of their market share expectation, so there has not been somebody who has been extremely greedy and trying to steal the entire market or disproportionate share of the market.

Rahul Bajjal: Lastly assuming no more launches by any other players it is quite possible that status quo in pricing might continue going forward, is that a correct assumption?

Sanjay Gupta: That is what we hope and wish for but I cannot forecast that.

Moderator: The next question is from the line of Karthik Mehta from Deutsche Bank, please go ahead.

Karthik Mehta: Sir, I am just trying to understand your strategy on acquiring assets now that Elder has been integrated, do you look at assets which add to the existing gaps in India or would it be manufacturing capacity for the US and also in terms of payback how do you look at, this is just from the back of your experience with Elder.

Ruchir Modi: Basically our priority for acquisition and if it is a large scale acquisition definitely it is India and US definitely is our second priority and payback typically like I think everybody looks at payback typically for seven, eight years and that is what we had looked at for Elder also while we had acquired

the company and we usually do not stretch ourselves much while paying the price for acquisition, so I think seven, eight years is typically what we look at.

Karthik Mehta: The Elder acquisition we paid 2000 Crores, so if there is an acquisition in the future of equal size or larger size would the funding be by both debt and equity and would it be only by debt?

Sudhir Menon: For larger size it will be a combination of debt and equity.

Karthik Mehta: So, on the back of it, just trying to understand your dividend payout policy, while it continues to remain between 22 and 25 including the interim dividend, I am just trying to understand if you are looking out for acquisition the reason to pay high dividend if you can just explain me on that?

Ashok Modi: The dividend policy has been consistent and we are generally targeting an overall payout of 30% and we are continuing to follow the same dividend policy.

Karthik Mehta: Yes, which is visible in the last eight, nine years, which is what I am explaining but the quantum obviously has increased phenomenally this year if you just look at it because of your performance in the US market, I was just looking at it that we are on the lookout for acquisition, so would it be prudent to hold on to the cash, just thought on that line?

Ashok Modi: There is a big jump coming from US. As regards the funding on an acquisition in future, I do not think this sort of cash would make it significant. The dividend payout we intend to follow consistently and it will keep on varying according to the profits in a particular year but we believe that shareholders also should be participating in the company fortunes, both plus and minus.

Karthik Mehta: Do you have any broad-based guidance over the next three years ex of the one off that you have in the US market, how do you look at EBITDA margins settling. Sometime ago you guys had mentioned that your endeavour is to become a company which has the highest EBITDA margin on the India business based on the improvement in the productivity, how far are we from that. I do not want exact numbers on the EBITDA margin.

Sudhir Menon: Typically we do not give guidance for the future but what you stated about domestic business is what we saw we were achieving actually but otherwise for the next three years we will not be able to give any guidance, it is not a policy.

Moderator: The next question is from the line of Chirag D., from HDFC Mutual Fund, please go ahead.

Chirag D.: Sir, thank you for the opportunity. Can you help us understand the US based business trajectory ex of Abilify, Q3 versus Q2 and Q2 versus Q1, I am not looking for a number but just a broad colour, is it dramatically increasing, is it not increasing, any direction would help Sir?

Sanjay Gupta: It has a positive trajectory but really what we have been doing is we have been making trade offs and especially if you look at Nexium, it is a manufacturing intensive product, so as we ramped up Nexium we had to kind of figure out what are some of the products that we would do less off but overall in terms of value terms our base business have positive trajectory and we have been focusing on higher value products and shedding away from the lower value, low margin items and that is the kind of trade off that you have to make on an ongoing basis for the US market.

Chirag D.: So you would say for each of the quarters the business has actually grown, is it sir, on a quarter-on-quarter basis?

Sanjay Gupta: On a quarter-on-quarter basis we have a positive trajectory and what we have is the product mix changes because any company especially a company of our size and scale does not have unlimited manufacturing resources available, so we have to be smart about it and kind of divert it towards the products which would bring the maximum bottom line and we do that and you can do that actually. It is not something that can be done in a matter of days but over a course of three, four, six months you can move away from certain contracts and certain low value items and move towards more high value items. If you look at the IMS data you can pretty much figure out where is Torrent focusing its efforts and which are the products we are going for enhanced shares and which are the products for which we are kind of walking away from market shares, so that would probably give you much better indication as to where our base business is going and for all the products that we are focused on where we have a bottom line our shares have been growing and increasing dramatically. That is literally the strategy that we have, so profitable products we try to at least have one or two anchor customers and move the share in a material way and products where low margin, low prices extremely competitive and commoditised we try to let the share go away.

Moderator: The next question is from the line of Nitin Agarwal from IDFC Securities, please go ahead.

Nitin Agarwal: Sir, thanks for taking my question. On your Brazil business in the wake of what is happening with the currency specifically over the last few months, how do we look at the business from a growth and profitability perspective going forward?

Sanjay Gupta: As a company and especially as a company from India we are very used to these market being sometimes in a very favorable international environment, sometimes being in a very unfavorable international environment, but Torrent as a company, we have been in Brazil for more than 10 years. It has got more than 200 million people, a very strong economy, so long term we are bullish on Brazil and this kind of turbulence and this is a very turbulent period, so the country basically had zero growth in 2014, negative 3, negative 4 growth in 2015 and 2016 and probably looking at again zero growth in 2017, but it is not going to last, it is something which will be there for two or three years. It is time for us to kind of tighten our belts, improve our productivity, so we are taking steps to improve ourselves and amongst all the sectors the pharmaceutical sector is still the best place to be in Brazil. If

you look at sectoral growth rate the pharmaceutical has a positive trend, so when you meet your counterparts from other industries in Brazil they will tell you that pharma companies are in the right spot in a tough market and the things that we are doing essentially is pretty much the same thing that we do in India to improve ourselves. One is we have been taking price increases, so wherever possible we will increase prices to mitigate to the extent the rate impact and we found that the competition is also facing the same issues, so the degree of cutthroat price competition is not reflected in these tough times. We have been reducing our head count, I had mentioned earlier that we have reduced our number of people to about 472 which has a corresponding impact where we keep on increasing sales, Torrent Brazil right now is about 80,000 Rials, about two years ago it used to be 50,000 Rials, so this 30,000 Rials of additional sales per month per rep it really contributes to the company's bottom line. We have also kind of reduced the distributor margins, the trade margins and asking them to share the effort in these times and what we have also done is streamline the logistics and brought some activities in house, so essentially tried to cut costs to the bone during these three or four years which will be tough for Brazil so that we are much better positioned when the economy comes back and the forecast I am seeing is that 2017 might be a zero year but 2018 onwards the country should start growing again. I do not think the dark clouds will last.

Nitin Agarwal: This was helpful. Taking a cue from there given all of these turbulent times the emerging markets are you evaluating opportunities to scale up businesses in some of the other targeted emerging market geographies where you probably see opportunities opening up for you?

Ruchir Modi: No. We are still very focused in these markets, still lot to be done here.

Nitin Agarwal: On the US business, on the aripiprazole business, how do you see in terms of assuming no more product launches, just making assumption on that for the time being do you still see significant scope for scale up of the business from the levels that it had been for the last couple of quarters?

Sanjay Gupta: You mean to say scale up because of volume right?

Nitin Agarwal: Yes, on the existing product.

Sanjay Gupta: I would not be able to quantify it but there is room for growth. Everyday I sell these products, unfortunately some of the companies have quality issues so we always have customers coming back to us and touch wood, Torrent has had a good, clean FDA record since we started business in the US. When customers are looking for guaranteed supplies they tend to think of us. I would say that there is room for us to increase share in several of our products. Right now we are not focused on all of these because like I mentioned earlier we are focused on the higher value item but with time as and when we have additional capacity we would be able to drive growth of products which today we are not focusing on.

- Nitin Agarwal:** Detrol, where are you from a stabilized market share, are you already there, do you still have more room?
- Sanjay Gupta:** I will not reveal our market share but what I will just tell you is that I am assured of market share of 10%.
- Moderator:** The next question is from the line of Abhishek Sharma from IIFL, please go ahead.
- Abhishek Sharma:** Hi, thanks, couple of quick ones. There is this component of 51 Crores of other income, so can you give some colour as to what this is?
- Sudhir Menon:** It mainly comprises forex gain.
- Abhishek Sharma:** This is a net figure taking in to account all the currency dealings.
- Sudhir Menon:** Yes, absolutely.
- Abhishek Sharma:** How many ANDAs did you file this quarter?
- Sanjay Gupta:** In this current fiscal year so far we have filed one and we expect to file one more, so it will be two, I think it will be the last year where Torrent filed single digit ANDAs, from next year, I hope to file at least 15 to 20, but this year I would be the end of the sorry saga of single digit ANDA.
- Abhishek Sharma:** One was filed in the first quarter right.
- Sanjay Gupta:** Yes, the second one I hope to file in the fourth quarter.
- Abhishek Sharma:** And that one would be in oral solid ANDA?
- Sanjay Gupta:** Yes.
- Abhishek Sharma:** Yes, basically I wanted to know if it was from Zyg and third question more on philosophical lines, do you see given the fact that your capacity is expanding with Dahej, do you see there is some rationale for you to get vertically integrated at some point of time in the future?
- Ashok Modi:** Dahej is vertically integrated plant. We have both API and formulation there if that is what you are referring to.
- Abhishek Sharma:** Okay, so Dahej also has API capacity, okay and because Indrad also had an API block right, so this would be far bigger than Indrad.

- Ashok Modi:** That is bigger than Indrad, correct.
- Moderator:** The next question is from the line of Prakash Agarwal from Axis Capital, please go ahead.
- Prakash Agarwal:** Thanks and congratulations for good set of numbers. Sir, on the comment that you made on the foundation stone for the oncology block what is the timeframe you expect that it would be up and running and you would be able to see approval and shipments from this facility?
- Ruchir Modi:** Two years.
- Prakash Agarwal:** Two years completion of facility by that time you will also expect approvals to come by.
- Ruchir Modi:** The development started bit earlier than that through CMO.
- Prakash Agarwal:** What is the landscape for the derma piece?
- Sanjay Gupta:** The plant is already approved, so, as we file new ANDAs from next year onwards you would see them approved in the 12 to 16-month window, so then we would be commercializing them, but there is nothing to be done on the industrial side.
- Prakash Agarwal:** Okay but in terms of approvals and commercialization both oncology and derma would be good for fiscal 2018?
- Sanjay Gupta:** Dermatology for sure, oncology the products would be ready, but not necessarily from our own plant but from CMO.
- Prakash Agarwal:** Sir, secondly there is some media news on some API which is being mandatory to be manufactured locally. I do not see any merit in the news but if you could, as an industry expert could help us understand if this news is practical?
- Ruchir Modi:** No. It basically says that US hardening and the government, they are going to prefer for tenders the locally manufactured people, but it does not say that they want to completely ban it, it is a preference, it is the word that they have used and any ways we do not have business. Companies like Torrent and Sun Pharma they do not have business with government tenders.
- Prakash Agarwal:** So logically speaking local production in US would also be higher cost and the government is bleeding with lack of funds, I just do not understand this.
- Ruchir Modi:** Exactly. That is why the word used by them is preference.

- Prakash Agarwal:** Lastly can I have US number please, somehow I did not receive it in the presentation, can I have the US sales please?
- Sudhir Menon:** For the quarter it is 558 Crores and for YTD it is 2158 Crores.
- Prakash Agarwal:** Okay, so there is a substantial drop quarter-on-quarter which is what you explained every quarter Abilify is coming down?
- Sudhir Menon:** That is right.
- Prakash Agarwal:** And base business has gone up, so net-net Abilify will come down quite a bit.
- Sudhir Menon:** Yes.
- Moderator:** The next question is from the line of Sameer Deshpandey from Fair Deal Investments, please go ahead.
- Sameer Deshpandey:** Hello, congratulations for excellent numbers. Actually I wanted to know our long-term debt you mentioned something 2000 Crores and we have cash of 1200 Crores, so the net debt is only 800 Crores?
- Sudhir Menon:** That is right.
- Sameer Deshpandey:** So the accumulation in this quarter of the profits because in September we had some 670 Crores cash, so there is substantial accretion to that.
- Sudhir Menon:** Yes.
- Sameer Deshpandey:** What is the average age of sundry debtors compared to last year of September?
- Sudhir Menon:** It is 2.8. As at December 31, 2015, and September it should be similar.
- Sameer Deshpandey:** It was I think last time you had mentioned three months plus nine days, so it is something better than this time.
- Sudhir Menon:** Yes.
- Sameer Deshpandey:** On Brazil impact have we incurred any foreign exchange loss and booked it?

Sudhir Menon: Yes. We have a forex policy where we hedge 100%, so basically to the extent of the credit period we are already hedged, so to that extent any further depreciation of currency which happens, those do not walk in to the P&L as we are covered.

Moderator: The next question is from the line of Fatima Khan from Khambata Securities, please go ahead.

Fatima Khan: Thanks for taking my question. I would like to know what is the cumulative ANDA filings we have and what is the number of total approvals we have?

Sanjay Gupta: As of today the number of approvals we have close to 57 and the number of pending filings that we have with the FDA are 16, the cumulative is 73.

Fatima Khan: My next question is about Dahej facility, what kind of numbers are we looking at the end of FY 2016. I don't think you will be having anything because it is April when you are expecting to pick in.

Sudhir Menon: Are you talking about the revenue from Dahej?

Fatima Khan: Yes.

Sudhir Menon: I think we will have to wait and watch actually because it all depends on the product approval which will flow in next year, so it is little difficult for us to estimate the revenues for the next year.

Moderator: Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Ruchir Modi for the closing comments. Thank you and over to you Sir.

Ruchir Modi: Thank you every one and have a good evening.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.