



“Torrent Pharma Earnings Conference Call”

October 30, 2015



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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 Deepak Malik from Edelweiss. Thank you and over to you Sir!

Deepak Malik: Thank you. On behalf of Edelweiss I welcome you all for the Torrent Pharma second 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 Foreign Treasury 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. Ashok Modi now for the opening remarks. Over to you Sir!

Ruchir Modi: Hello and good evening to all. A quick update on the quarterly numbers: for Q2 revenues were at around Rs. 1200 Crores during the same period last quarter. EBITDA was at around Rs. 840 Crores up by 147% from Rs. 340 Crores. PAT was at 568 Crores up by 187% from Rs. 198 Crores. Starting with India business although you see a flat growth in the topline at 441 Crores of the India business I know some of you must be surprised on why these numbers. Yes, there has been some one-off corrections made in the India business model which are steps taken internally to further enhance our growth and business model which are only to ensure more sustainability, hence the long-term growth is further strengthened with these measures not just in terms of bottom line but even the topline. Adjusting for these corrections our growth is at 14% in line with the previous quarter. We are very confident of our robust business model based on science, specialities, brand building and productivity and the steps taken in this quarter are only to further align ourselves to deliver even better performance in the years to come. We continue to strive to deliver the best in class margins with these steps towards the robust business model. As far as the quarter is concerned we are growing in the India business for Q2 at 19% versus market growth at 12% as far as AIOCD data is concerned. We continue to remain amongst the fastest growing companies in the top companies of the IPM for the quarter and for the MAT we are the fastest growing company. On the MAT basis we are growing at 23% versus 14% of the IPM growth. Without anti-infectives which are the non-core business for us the growth is 26% on MAT basis and 23% on quarterly basis. We continue to outperform the market in all key therapies for the quarter with some intermittent slowdown for the quarter in gastro and gynaec therapies which have been affected by some of the hygiene initiatives taken in our acute divisions. Two largest brands of the Elder Portfolio Shelcal and Chymoral are growing above the market rate consistently; Shelcal at 45% growth for Q2 and Chymoral at 78% growth for Q2. Being a productivity driven business our MR productivity for the quarter has grown at 15% with continuing MR rationalization. We have launched a rheumatology task force in the quarter gone by which focuses on rheumatology basket and also the newly launched biosimilar which we in-licensed from

Reliance Lifesciences. Rituximab the first biosimilar from the Reliance pack is in the market in the quarter gone by was launched around end of the quarter. We are also expecting adalimumab to be launched very soon as we have received the DCG approval in August in Q2. This will be the second launch in the world after Zydus biosimilar and adalimumab all of you know is the number one brand in the world. We have also further sharpened our focus on the dermatology market with the launch on a new division in dermatology which would enable us to further accelerate growth and accept in the fast growing cosmetic dermatology market. Brazil operation recorded revenues of Rs. 131 Crores versus Rs. 150 Crores showing an 18% degrowth adjusted for currency movements, growth is 19%. We maintain our strong presence amongst the top 20 companies in Brazil and ranked #4 in our covered market of CNT and CNS. We continue to outperform in the market in Brazil as per latest IMS numbers and the underlying growth remains strong. Revenues from US operations for H1 2015-16 registered a growth of 267% driven by aripiprazole mainly, however the growth in the US market is not just driven by aripiprazole but also a strong growth in the balance portfolio. Our product selection has enabled us to become one of the best in class in the US market on per product revenue for the US market. I hand over for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Fatima Khan from Khambata Securities. Please go ahead.

Fatima Khan: Sir I just wanted to understand there is a huge difference in the net profit margin in consolidated and standalone segment, just wanted to understand like is there some losses you are all suffering in the subsidiary business that is what being impacted on a consolidated level?

Ashok Modi: You see there is an element of unrealized profit in the stocks which are lying with the subsidiaries and that give rise to variation in the net profit margin in both the segments.

Fatima Khan: We also see there is a decline sequentially in the topline, so if you can throw some color on that?

Ashok Modi: Our first quarter effective tax rate was about 48% you would have seen that which actually has come down to 36%, and going down the year it is likely to further reduce but the right way would be to see on an equalized basis of probably about 25%.

Moderator: The next question is from the line of Nimesh Mehta from Research Delta, please go ahead.

Nimesh Mehta: Thanks for taking my question and also congrats on good set of numbers. It would be great if you can just elaborate on what changes we have made in the domestic business and as a result of which the low sales because of channel correction and when do we expect to reach and how do we expect the growth from there?

- Ruchir Modi:** This can be attributed to two key reasons owing to some one time correction. I would say that we are striving for industry leading EBITDA margin for India business and hence these steps were taken, so number one, some hygiene initiatives in the business where we had actually further rationalized some discounts and bonus offers. As such, we were the most hygienic company if you compare amongst the top 20 IPM but we set that why not aim for zero business in these segments, so we have completely stopped all these bonus offers and number two I would like to refresh what I had mentioned earlier also that last year when we had acquired Elder we had a spillover of Q1 sales towards Q2 because we had stopped the transactions for 15 to 16 days for stock audits, so that spillover of 15-16 days of turnover of Elder of Q1 had actually come in July month when we took over the business, so adjusting for these two factors our normalized growth in India business is 14%.
- Nimesh Mehta:** You mean to say that we will be looking at 14-15 gross from now on or because we have stopped that bonuses completely the year-on-year growth will remain muted at least on the reported number?
- Ruchir Modi:** No it is completely temporary phenomenon where you see the inventory lying in the channel has reduced because schemes what they do is typically fill the channel for a while, so even the AIOCD has reported that the number of days of inventory lying for Torrent earlier was 17 days, now it has come down to 13 days in Q2 which is the lowest ever which is actually a very healthy sign that in future my expiry and all that will also reduce.
- Nimesh Mehta:** Have we seen improvement in margin because of this, has there been significant improvement in margin?
- Ruchir Modi:** I would say that moving forward we will be the best EBITDA margin India business in the country.
- Nimesh Mehta:** Better than Sun Pharma kind of margins as well?
- Ruchir Modi:** That is what we are aiming for, yes.
- Nimesh Mehta:** The other thing I would like to know the sales, if you could throw some light on the market share you would have gained in Detrol LA that is tolterodine tartrate long acting, that would be helpful and what is the competitive scenario there, competitive landscape there?
- Sanjay Gupta:** Right now it is an interesting market; I think the IMS data for September showing a market share of 5%, usually I have mentioned that we target between 15 to 20% for most of our launches and I think over the period of the next few months you would see us reaching that level.
- Nimesh Mehta:** I see and have we reached the 15% level in abilify?
- Sanjay Gupta:** Abilify we have some customers that don't report to IMS, so I would say on a contracted basis we are not far ahead.

- Nimesh Mehta:** I am sorry I did not get you.
- Sanjay Gupta:** See the notion in IMS right now if you see Abilify you will see a share of about 6% in September data but that is because we have some customers in the US that do not report their data to IMS, so on a contracted basis Torrent is close to 15% market share for Abilify.
- Moderator:** The next question is from the line of Deep Master from Enam Holdings, please go ahead.
- Deep Master:** Hi Sir, I just wanted to know if there is a difference in the topline standalone and consolidated I am sure most of it is because of stocking, was any of this because of Nexium or Detrol?
- Ashok Modi:** Lot of products. It would be a combination of lot of products across all geographies.
- Deep Master:** Secondly in the India business can you just tell me if my understanding is correct that your margins in the India business should have improved this quarter?
- Ruchir Modi:** Moving forward.
- Moderator:** The next question is from the line of Girish Bakhru from HSBC, please go ahead.
- Girish Bakhru:** First on Nexium can you indicate how much price rise will be in the market right now?
- Sanjay Gupta:** It is a competitive market; there are more than six players in the US market, so I think the situation today is different from what it was may be three or six months ago, so going forward as more players come it will become I would say increasingly competitive.
- Girish Bakhru:** But with more than six players would it be in the tune of more than 80% of significantly less than that right now?
- Sanjay Gupta:** Are you talking about in terms of price erosion?
- Girish Bakhru:** Yes.
- Sanjay Gupta:** The price erosion, Torrent has just received approval one week ago, so I am in the process of finalizing our agreements with customers, so I would not be able to comment on where the prices will stabilize but I know what the prices were about six months ago, so it would be considerably, I would say that today's price would be considerably lower than what it was maybe three or six months ago.
- Girish Bakhru:** Okay on the basis of your assessment where do you see further competition is there in the product in terms of more approvals?

- Sanjay Gupta:** I would expect at least two or three players to come in further in the next three four months and it is such a large attractive market, so the competition is only set to increase but from Torrent's perspective this product what we are targeting is slightly lower market share than for our other products and the main reason is due to the manufacturing intensity of this product. It is a very I would say machine intensive time intensive and capital intensive manufacturing process, so we would be targeting somewhere in the high single digit market share for this product.
- Girish Bakhr:** Second one was on the India side, I remember some time back you had taken some price hikes in the Elder specifically Shelcal. If you could update on that and currently vis-a-vis the other brands how much discount is Shelcal today and so basically on the flexibility side how much flexibility do we have to take prices further up?
- Ruchir Modi:** Shelcal currently is still priced at around 15% less than all the other brands with us presently in the market the brands that matter and last year we had taken almost 10% price increases in all the brands and the effect had come in November, similarly this year also by November we will be taking similar price increases.
- Girish Bakhr:** So has this phenomenon impacted volumes at all?
- Ruchir Modi:** No. Like I said Shelcal has been growing at 45% and Chymoral at 78%.
- Girish Bakhr:** Overall if you could comment on specifically margins from Shelcal would that be possible to give a color?
- Ruchir Modi:** We do not share those things.
- Moderator:** The next question is from the line of Sameer Deshpande from Fairdeal Investment, please go ahead.
- Sameer Deshpande:** Good afternoon, congratulations for the excellent set of results and actually we have also reduced our short term loans entirely to zero and we have around 2200 Crore loans outstanding for long-term loans, so that is a good thing, the cash generation is helping us repay those debts, mainly this US business is contributing significantly and you have mentioned that second half the projections cannot be, but normally I think the second half is better than the first half for us in US?
- Sanjay Gupta:** No actually I would not like to generalize this because our business is not seasonal, so I cannot say second half is better than the first half. It really depends upon the market situation at a given point of view in terms of competitive intensity and new product launches, so in the current year the first half has been very, very good thanks to Abilify and in the second half Abilify would be a little bit lower because of the pricing trends to go down, but it would be somewhat compensated by Nexium and

tolterodine but it is too early to say that the second half would be better than the first half. I don't think it is a generalization that can be made.

Sameer Deshpande: But the overall outlook as of today looks to be good?

Sanjay Gupta: The outlook for Torrent Pharma is good.

Sameer Deshpande: For the main business particularly India you have taken the correction now, so as you are expecting Indian sales also to be better and profits will be very good, so and the other economy particularly Brazil etc., where the currency has depreciated significantly Brazil, Russia etc., are we facing any problems there?

Sanjay Gupta: We are facing problems in Brazil in currency depreciation terms because in the local market our growth is 10% above the market growth rate in value terms, so if you evaluate the business on a constant currency basis the company is doing well, but unfortunately when the transfer is back in to rupees it leads to a negative growth, so yes we are facing issues because of the currency depreciation and we are taking steps to actually counter it, so what are the steps that you take as a company when you face with such strong headwinds, first you work on pricing, so you try to improve your pricing to that extent that you can, secondly you try to work on your cost basis, so we have actually reduced 50 people from the end of last year in Brazil and we have also tried to reduce the distributor margins and to improve the productivity per rep, so collectively all these measures will help us in mitigating the impact of the currency devaluation. In Russia what we are facing also is very strong headwinds right.

Sameer Deshpande: Have we incurred any foreign exchange loss in this quarter?

Ashok Modi: No, on a net basis, no it is a foreign exchange gain.

Sameer Deshpande: Maybe we may be having some foreign exchange loans because of that we may give some of it?

Ashok Modi: I am talking about business related forex.

Sameer Deshpande: And overall the receivables are under control, what is the average age which compared to the last year or last quarter, average age of debtors?

Ashok Modi: On a consolidated basis we have three months and nine days of outstanding, which was four months, so there is mass improvement in outstanding days.

Sameer Deshpande: It was three months and nine days this time compared to?

Ashok Modi: Little more than four months earlier.

- Sameer Deshpande:** So the recovery is also good.
- Ashok Modi:** We have not been facing any problems as such.
- Moderator:** The next question is from the line of Meeta Shetty from Kotak Securities, please go ahead.
- Meeta Shetty:** Hi, thanks for the opportunity. Firstly on margins again if I just do some rough maths it looks like we have seen some 350-450 basis points improvement in the base margin, is that the correct assumption, have we seen that kind of margin delta?
- Ashok Modi:** When you say base means what?
- Meeta Shetty:** Ex-Abilify basically.
- Ashok Modi:** That is something that you are talking about base margins ex Abilify what are the margins?
- Meeta Shetty:** No I am not asking for the margins, I am just saying that have we seen that kind of delta quarter-on-quarter in the margins?
- Ashok Modi:** Unfortunately we would not be able to share the specific margins with you madam.
- Meeta Shetty:** I am just asking directionally have we seen that kind of jump that is what I am just trying to know.
- Ashok Modi:** There is an improvement but again directionally quantum is something which I will not be able to say anything.
- Meeta Shetty:** Secondly on the Abilify supplies from Q1, Q2 and now we already one month in to Q3, how have the supplies been, are they equally strong or are you seeing some lower supply because of the competition coming in?
- Sanjay Gupta:** In terms of customers there is enhanced competition, so I would say that our large anchor customers we have maintained and we have essentially surrendered some of the smaller customers to newly arrived competitors.
- Meeta Shetty:** On the pricing front is it significantly lower now or do you see there is still room for us to make good margins?
- Sanjay Gupta:** Depends what you mean by good, it is not where it was.
- Meeta Shetty:** Yes, I am sure it is not where it was but.

- Sanjay Gupta:** Much significantly lower than where it was at the launch time.
- Meeta Shetty:** Okay that is helpful and thirdly on Elder and base domestic can you just split the growth if you can that would be helpful?
- Ruchir Modi:** We do not share.
- Moderator:** The next question is from the line of Nitin Agarwal from IDFC Securities, please go ahead.
- Nitin Agarwal:** Thanks for taking my question. In the US business you mentioned about Abilify, if you look at Abilify say for example a couple of quarters out in FY 2017 how do you see the product settling as such for, how do you see the market settling down for the product?
- Sanjay Gupta:** It remains an at-risk clause at least for first two-and-a-half, three years, so I do not know what is the appetite for various companies to launch a product at risk, we have seen that it has not deterred quite a few Indian players from launching, for any product in the US if there is very high degree of competition you would expect the pricing to stabilize around between 1 to 3% of branded WAC, so that is a long-term kind of outlook for product with a very high degree of competitive intensity, Abilify, the total volumes in the market are not that large, the number of tablets is only about 350-400 million, so you would expect it to follow that trend if everything goes bad. If the number of competitors is fewer then the pricing could be a little bit higher.
- Nitin Agarwal:** In your own sense is that likely to happen anytime over the next three to four quarters or will it take some more time for it to get to that 1 to 3% WAC sort of levels which generally happens?
- Sanjay Gupta:** I would think that it will take a maybe a little longer to reach that level and that is only because it is a severely litigious, the originator in this case is very highly litigious and still filing new patents and there is a lot of I would say legal baggage that comes with this product which might deter a few companies from coming in to this space.
- Nitin Agarwal:** So I guess it is fair to say for us it should continue to remain a relevant product even through FY 2017 also.
- Sanjay Gupta:** FY 2017 is little far because it goes till March 2018 but I would say next 12 months it should remain as very highly relevant product.
- Nitin Agarwal:** Likewise in Detrol how do you see the product, do you anticipate more people coming through anytime over the next couple of quarters.
- Sanjay Gupta:** Detrol what is happening is right now I am competing with Mylan and Teva, so I would expect maybe in the next 12 months about three more players to come in.

- Moderator:** The next question is from the line of Rahul Baijal from Bharti AXA Life Insurance, please go ahead.
- Rahul Baijal:** Firstly in terms of cash generation Abilify has lead to sharp generation in cash in so short a time and we also have debt, so how are you planning to look at lightening of the balance sheet based on the cash flows you have and the cash flow outlook ahead or will you use this to keep it as a buffer in order to pursue inorganic option, how are you thinking on this front?
- Ashok Modi:** Partly we have already lightened the balance sheet, some borrowings have already been paid off, there would be some amount which internally we have targets which we like to keep in the balance sheet for meeting with let us say the regular working capital requirement and beyond that it would be a call to take if there is any opportunity we see coming our way in the near future, we might hold on to the cash, otherwise repay the loan. It all depends on which way the acquisition opportunity is visible.
- Rahul Baijal:** So where are we on that front, are we evaluating something or it is still something in the pipeline which may happen?
- Ashok Modi:** M&A you would appreciate is always in pipeline until the last signature is put on the paper.
- Rahul Baijal:** So it would be safe to assume that we would not be using this to retire debt anytime soon right.
- Ashok Modi:** Presently yes the long-term debt we are not contemplating to retire at least in the near future.
- Rahul Baijal:** Secondly you seem to imply that Shelcal and Chymoral are doing very well in the market but somehow not showing up in the primary sales numbers, so is it because the rest of the portfolio is declining quite sharply, am I little confused on that front?
- Ruchir Modi:** Shelcal and Chymoral is doing well on the primary sales number as well, I mean, the growth rate you see probably the AIOCD are a bit higher which I told you earlier also that there is some base effect also because Elder had the capital issues when they were actually dealing with that for the transaction so barring that still the growth is extremely high and Shelcal and Chymoral even on internal basis I can tell you are at higher than their glorious years also and also the base business is also outperforming for Elder and Torrent.
- Rahul Baijal:** So it would be safe to assume that since the inventory levels are low now as I mentioned that going forward we should be back to double digit growth in primary as well right?
- Ruchir Modi:** 100%.
- Moderator:** The next question is from the line of Abhishek Sharma from IIFL, please go ahead.

- Abhishek Sharma:** I just had two quick questions. In terms of ANDA filing how many have we done this quarter and the second one is around Chhatral when was that last inspected?
- Sanjay Gupta:** This quarter Torrent has not filed any ANDA and Chhatral was last inspected on June 2014 and we have the EIR in hand.
- Moderator:** The next question is from the line of Anubhav Agarwal from Credit Suisse, please go ahead.
- Anubhav Agarwal:** Good evening, Ruchir, one question that the changes that you made in the India business what has triggered these changes, is this was long planned or suddenly you realized and you have come out with these changes and is it fair to assume you done rightly this changes only in gastro and gynaec right now?
- Ruchir Modi:** Sorry I did not get the other part of the question?
- Anubhav Agarwal:** Have you done these changes only in gyne and gastro segment right now?
- Ruchir Modi:** Actually it is across but predominantly these things were prevalent in acute business, actually this is across Indian pharma industry acute segments have these onuses higher than chronic businesses and these changes actually were driven by our efforts to reach the industry leading margins and yes this was always planned, we always had a plan in mind but when to do it was the question and we thought this is the right period to do it.
- Anubhav Agarwal:** Tell me one thing would this be correct understanding that let us say if you reduce the bonus roughly what percentage of sales out of the segments where you have made these changes were driven by pharmacist push, for example it is a gastro product antacid product, I would imagine some of the customers will go directly to the pharmacy and he may push the product directly to them, would that be a meaningful number let us say 5%, 10% kind of number?
- Ruchir Modi:** Absolutely, the entire premise of this change was that logic itself doesn't exist is what we believe, legacy business and discount business have been going for years together and hence there is always a resistance of people to stop these things because temporarily you may see a dip in business but personally I feel gone are the days of substitution and push, these schemes are only for stockists and retailers to make that extra money and I don't think that there will be any impact on business or demand as such because we feel that there was as such no substitution happening.
- Anubhav Agarwal:** Before making this change did you do any pilot change, for example I am just trying to understand let us say suppose you make a change in terms of feedback how are you connecting that, after not making bonuses whether your strategy has already started working that the sales have already started picking up, have you already seen that or is it still October was similar month as last quarter?

- Ruchir Modi:** I cannot tell you numbers of this quarter. The best indicator is AIOCD, you are seeing that AIOCD is still showing robust numbers and on MAC basis we are actually the number one fastest growing in the top 20 IPM, that number actually has come after the September AIOCD numbers were out, so that indicates that business demand remains strong, it is the 17-days inventory which has come down to 13 days which is a temporary phenomenon which will normalize in Q3 and Q4.
- Anubhav Agarwal:** Just one more, last out on this is that when you make a change like this in the channels where we reduce the bonus and discount of do you do something else let us say you are reducing one extra reason for them to push Torrent product but is there something compensating done which is ultimately letting up, there is more like pool effect or let us say, how do you make sure that ultimately the substitution is not happening, that is what I asked that question?
- Ruchir Modi:** Last three-and-a-half years we have been very strongly focused on a prescription driven, speciality driven business and hence all I can tell you is that the business that we were losing at discount will now come at a full price, the business will continue and we will now realize the full value of the product which was selling in the market.
- Anubhav Agarwal:** How much will be this number, how much will be the discount, when you said margins will increase, I am just trying to understand?
- Ruchir Modi:** I cannot share those specific details but you know what kind of schemes and all go in acute segments generally.
- Anubhav Agarwal:** One question for Sanjay is on the Brazil constant currency growth 19% how much this will be pricing versus volume?
- Sanjay Gupta:** 6% would be because of pricing, rest would be volume mix and some other.
- Anubhav Agarwal:** This price increase you would have taken when, I think this you would have taken in the prior quarters and still continuing the same?
- Sanjay Gupta:** What happens in Brazil is actually the ceiling price is fixed by the government, so it is not as a ceiling price and it is released every year in April, so this year what we did is we tried to maximize the increase that was allowed in the April timeframe but for some products because of competitive reasons we could not take it in April and we would be taking a few in this quarter.
- Moderator:** The next question is from the line of Prakash Agarwal from Axis Capital, please go ahead.
- Prakash Agarwal:** Thanks for the opportunity. Sir just wanted to understand the bigger picture on the R&D side like what is the plan ahead in terms of new segment areas, number of filings to be done which is increasing multiple ways, if you could give a two, three year picture starting from this year?

- Sanjay Gupta:** From the Torrent side first priority is to increase the resources that we put inside R&D, so we have indicated that our objective is to progressively add about 1000 people to the R&D organization and to raise the spend to I would say pretty high single digit of turnover, so we added about I would say about couple of hundred people already and our objective is to finish the project in the next three quarters and to increase the spend. Our priority for R&D is pretty straightforward. We have three priorities for R&D, first is of course to increase the number of ANDAs and there the objective that we have in the short run is to reach between 15 to 20 and I think my goal is that for the next fiscal year we should be way above the double digit number in terms of ANDA filings and this would be because of the efforts in the last few years, so after we have taken care of ANDAs number of ANDAs we also need to increase the complexities of ANDAs in the US, so that is the second priority that we have. In terms of other geographies our two other priorities is firstly to build a pipeline for India and Ruchir bhai has been very instrumental in building in India which is more like first time in India or first time in the world in terms of innovative combination and innovative dosage forms and what we are doing in Brazil is essentially trying to copy the pipeline that we are building for India in the Brazilian market, so those are the three areas which Torrent research would be extremely focused on delivering and my expectation is that this increased size of team and increased resources you would start to see the turnaround as early as Q1 of next fiscal year.
- Prakash Agarwal:** So two questions here, one is on the complexity in the US, which broad areas you would be working at?
- Sanjay Gupta:** One of the reasons we had acquired Zyg was to go in to dermatology creams and ointments, so creams and ointments have various degrees of complexities, so the basics are the steroids where you don't need clinical trials and cost of development is slightly less, so we are obviously going to do some of those but we are also initiating projects which require clinical trials which would increase the cost of developing those products and also increase the risk of developing those products, that is just one example.
- Prakash Agarwal:** So derma and if you may add couple of more areas where you are working Sir?
- Sanjay Gupta:** I think we have already disclosed that, we are setting up oncology facility, Greenfield oncology facility outside of Ahmedabad; we have already started developing a pipeline for that project.
- Prakash Agarwal:** So my understanding is that what you have been working now it is typically a two, three year kind of development timeframe and you just mentioned that you will start seeing some impact coming from Q1, so if you could help me understanding the gap, how would you see the impact coming from Q1?
- Sanjay Gupta:** In terms of filings, so it would not be in terms of launches but it would be more in terms of number of ANDA filings, so earlier I think there was a question as to how many we filed last quarter and my answer unfortunately was zero. So I don't expect to have the same answer in the future.

- Prakash Agarwal:** So the question remains like we have been stepping up our R&D in a big way for the future development, current development for future approvals and current pipeline we have is limited, so what is the outlook for the next two years Sir?
- Sanjay Gupta:** Right now the number of products that we have filed with the FDA is close to 20, there are quite a few I would say financially attractive opportunities within this pipeline, so at least I would say five to six products in this 20 should be limited competition launches, very hard to predict which ones but if we have 20 launches in the next I would say two year period a few of them are quite complex, I would not like to, we have not disclosed which molecule but I would say that they are complex by the technology and we expect to be a limited competition, so there would be few attractive opportunities next couple of years but the number of opportunities remains, it is basically outside limit of 20 that we have currently with the FDA.
- Prakash Agarwal:** Sure thanks and final confirmation this 20 you expect over two year approvals?
- Sanjay Gupta:** Yes, I would say most of them would be in the next two years.
- Moderator:** The next question is from the line of Shradha Patel from Wealth Managers, please go ahead.
- Shradha Patel:** Good evening. Thank you for giving me an opportunity. Sir, I have two questions pertaining to Abilify. As you just mentioned that including your contract terms you have a market share of 15% as in Q2, so would it be possible for you to tell me what was the market share when you launched it in April?
- Sanjay Gupta:** I would say that in the first three months we were still signing customers and subsequently we have not signed any customers because new competitors have arrived, so we kind of essentially been on maintenance mode in terms of market share.
- Shradha Patel:** So would it be fair to assume it was around 15% and you have maintained that?
- Sanjay Gupta:** Yes, three months after launch that would be a fair assumption.
- Shradha Patel:** Also if you could give an idea about on what kind of price erosion you had seen when you had launched it and how does it stand today after around six competitors?
- Sanjay Gupta:** I don't think we comment on pricing per molecule basis but obviously in terms of percentage of branded wac it was quite high and if you look at the branded wac Abilify used to be about \$30 per tablet, so for a limited competition at launch it was highly profitable opportunity but I would not like to state where it was and where it is right now.
- Shradha Patel:** Would it be possible to talk about the overall market size if not the price just the price factor?

- Sanjay Gupta:** Overall market size Abilify would be, it is the same thing. You can take it that we had discussed earlier that it would stabilize between 1 to 3%, I would say that right now you can say that the market for the generic is in the range of 10 to 15% of the branded market.
- Shradha Patel:** Would it be possible for you to throw any color on what kind of products are you expecting to come up in the US business?
- Sanjay Gupta:** No. We would not be able to disclose which ones we would be launching in the next few months.
- Shradha Patel:** May be a year or two?
- Sanjay Gupta:** I don't think we have given visibility on the future pipeline except you would have seen from the litigations that we have that we have a few Paragraph 4 opportunities but besides that the rest of the pipeline we do not disclose by molecule.
- Shradha Patel:** Are you giving any guidance in terms of topline or the margins or capex over the next three years?
- Ashok Modi:** We don't give that but I must appreciate your first question was very smart and we almost got caught.
- Moderator:** The next question is from the line of Nitin Agarwal from IDFC Securities, please go ahead.
- Nitin Agarwal:** Thanks for taking my question again. I just wanted, a quick one, can you just give an update on Dahej facility in terms of EIR and commercialization of the facility?
- Sanjay Gupta:** We are expecting the EIR to come any day, so essentially it is overdue because the inspection went well and it has already been several months, so as soon as the EIR comes we would be ready to start shipping the first product from Dahej to the US. I would not expect it to happen before Christmas.
- Nitin Agarwal:** How do we see this facility really contributing to the US business?
- Sanjay Gupta:** Essentially, it does few things for us. Firstly it provides us with the opportunity to increase shares in the products where we are today, so we have a lot of immediate release products and sustained release products for the immediate release products it is a quick fix, we can kind of transfer the production to Dahej using CB 30 and that really contributes to increasing my supply and increasing shares in existing products. For the sustained release product it is a little bit long-term effort because there would be prior approval supplements but besides the FDA is also committed to approving PAS quite fast within 10 to 12 months timeframe, so that would be the essential contribution for Dahej in the short run. Also more important for us Dahej we have one key constraint in Germany where we have the possibility to bid for a lot more in the government tender business, in AOK 10 Torrent is right now bidding for a small portion of those tenders, Dahej would allow us to bid for higher portion of those tenders and increase our sales in the European tender markets.

- Nitin Agarwal:** On the tender bid a lot of your competitor seems to be talking about moving away from the tender business, is this business still viable business for people to operate with?
- Sanjay Gupta:** For Torrent the predecessor company that was acquired by Torrent Heumann has a very strong I would say expertise in the German market and essentially a large part of our team is still from Heumann Pharma and even after so many years we find this business an interesting business and we have no plans to give it up.
- Moderator:** The next question is from the line of from the line of Anubhav Agarwal from Credit Suisse, please go ahead.
- Anubhav Agarwal:** Zyg Pharma how much was the contribution this quarter and which line item is it included in revenues?
- Ashok Modi:** The revenue is included in the topline. It is like any other regular consolidation but if you see our Clause 41 filing it is mentioning that the revenue for this quarter from Zyg was 10 Crores and the profit was a little more than 50 lakhs.
- Anubhav Agarwal:** Sir I was just asking which geography when you club it in to branded, when the classification that is as follows where would you be reporting Zyg in the US?
- Ashok Modi:** It would be in others together with contract manufacturing.
- Anubhav Agarwal:** Can you provide some color on the European market, how that business would have done in the constant currency this quarter?
- Sanjay Gupta:** Torrent has I would say a diversified basket of businesses inside Europe, the main business that we have of course is Germany, in Germany we have basically grown at 16% in constant currency terms for geographical business of Germany. Where we have issues is for the old business that we had issues which was called dossier business which was basically a out licensing business as well as we have had a little bit of slowdown in UK and Romania. I expect this to be a short term slowdown and essentially as we are able to increase supplies and also correct some of the claw back problems that we have had in Romania and I don't know you might be aware that the legislation in Romania has changed and they are going to be become more favorable in terms of claw back to generic companies, so we would expect these to be corrected but our focus for European business will continue to be Germany, UK, top priorities and to grow in the 10 to 15% range which is where we are right now in Germany.

- Anubhav Agarwal:** Sanjay, I remember your comment couple of quarters back, you were expecting European business to grow at about high single digit and I certainly see that now moving to 10 to 15%, is that trajectory right in the sense a single digit moving to 10 to 15% now for the European business?
- Sanjay Gupta:** I think you are right to bring it up because it is really a tender business right, so a lot of it depends upon what our performance in AOK tenders is, right now what we are optimistic is that we would be bidding for higher volume of tenders and specially at Dahej allows us to increase our volumes so because of higher coverage of the German market and as we increase the scope of our business there I would think in Germany, geography our business would be growing at a good pace, hard to predict, I wish I could predict the prices at which we would win tenders and how much we would win but let us say that we are optimistic on the German market.
- Moderator:** The next question is from the line of Nimesh Mehta from Research Delta Advisors, please go ahead.
- Nimesh Mehta:** Thanks for giving me another opportunity, just a quick question on Zyg Pharma. We were expecting couple of product approval or launches in the next 12 to 18 months, if you can elaborate on the status on that?
- Sanjay Gupta:** It remains on track. We are working with the FDA on a couple of filed products and we have some correspondence ongoing with the FDA which we are trying to complete.
- Nimesh Mehta:** Any size of the opportunity if you can let us know that will be great?
- Sanjay Gupta:** It would not be very large opportunities because these are essentially Zyg Pharma was developing a few ANDAs in the lower investment type of products, so I would not say that these would have a material large impact on Torrent's business in the US.
- Nimesh Mehta:** Is it unlikely to become a low competition opportunity for you?
- Sanjay Gupta:** As of today we don't expect it to be low competition intensity. We are looking more at it in terms of opening the score for dermatology business for Torrent in the US than a century.
- Moderator:** The next question is from the line of Deep Master from Enam Holdings, please go ahead.
- Deep Master:** Thanks for the opportunity, just had a question on Zyg Pharma, can it add to your pipeline of derma products in India like you mentioned making an entry in to Derma, is that why you had Zyg Pharma acquisition?
- Ruchir Modi:** Basically we already have a dermatologic division which we had launched about three and a half years back and the turnover of derma portfolio is 70 Crores and we are now the number one in the face wash segment category, so all this production will be transferred to Zyg because we are right

now sourcing from P2P vendors, number two we have launched a dermatology task force of 30 MR across the country for extremely high value cosmetology derma products to cover only the cosmetologist. These products will be launched any moment from Zyg.

Deep Master: So the cosmetology products are from Zyg Pharma?

Ruchir Modi: Yes, even the existing products will be transferred to Zyg Pharma.

Deep Master: But I mean the pipeline is coming from Zyg for the cosmetology products or is that your own proprietary pipeline?

Ruchir Modi: It is our own developed pipeline. There is some pipeline from Zyg which is for me too products, completely first time in India pipeline that we are going to launch is through in house. There are also two NDDA, novel drug delivery systems that we are launching in foam preparations.

Moderator: The next question is from the line of Girish Bakhru from HSBC, please go ahead.

Girish Bakhru: Sanjay just your thoughts on two products, you said that of 20 that are out there few could be limited competition, just your thought on Crestor and Viagra, both are settled opportunities as it seems, do you see both of them being limited competition?

Sanjay Gupta: Not Viagra but rosuvastatin and the other one you wanted a discussion of?

Girish Bakhru: Viagra and Crestor, rosuvastatin yes?

Sanjay Gupta: I would be more optimistic on Crestor and really it is a large market, it is a growing molecule, so economically speaking I would expect Crestor to be a more interesting product than Viagra because Viagra we are already selling sildenafil, so we are selling sildenafil as Revatio which is the pulmonary hypertension indication the 50 mg dosage and we are seeing a very, very strong ramp up in Sildenafil already. So I would encourage you to monitor the sildenafil market as it stands today and what has been happening there in terms of off-label prescriptions and volume increases for generic companies. I would say sildenafil is not so attractive but rosuvastatin would remain an attractive and my expectation is that it would be an attractive opportunity.

Girish Bakhru: When you talk of the increasing complexity, I know you talked about derma, and steroids but NDDS opportunities that you have for India are these not for regulated markets?

Ruchir Modi: We are also evaluating for ROW and Brazil, not evaluating, actually we are going to launch in ROW and Brazil and also for US and Europe we are evaluation how to finalize the dosage form because there the strength you require for the population there is different and probably we might also have to do some trials but we are firm on launching this product in America and Europe as well.

Moderator: Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Thank you and over to you.

Ashok Modi: Thank you all for participating in the concall today. Have a good evening.

Moderator: Ladies and gentlemen on behalf of Edelweiss that concludes this conference call. Thank you all for joining and you may now disconnect your lines.