



**“Torrent Pharmaceuticals Limited Q3FY-15 Earnings
Conference Call”**

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**MODERATOR: MR. ANSHUMAN GUPTA – LEAD ANALYST,
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Moderator

Ladies and gentlemen good day and welcome to the Torrent Pharma Q3 FY15 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. Anshuman Gupta of Edelweiss. Thank you and over to you, sir.

Anshuman Gupta

On behalf of Edelweiss I welcome you all for Torrent Pharma's third quarter 2015 earnings call. I am Anshuman Gupta and I lead the Pharma and Healthcare research at Edelweiss. We have Torrent Pharma's management team with us today. Mr. Ashok Modi – Executive Director; Mr. Sanjay Gupta – Executive Director for the International Business; Mr. Ruchir Modi – Executive Director, Marketing; Mr. Sudhir Menon – Vice President, Finance and Mr. Rishi Shah – AGM-Finance. I would like to handover the conference to Mr. Ashok Modi for opening remarks. Over to you, sir.

Ashok Modi

Good evening everybody. I am Ashok Modi here. Welcome to our post result teleconference for the third quarter of FY15 results. I have with me my colleagues Mr. Sanjay Gupta – Executive Director in charge of our international operations; Mr. Ruchir Modi who is in charge of marketing; Sudhir Menon he is the Vice President for Marketing, accounts and Rishi my colleague in finance.

Let me first take you through the operating highlights of the quarter. During the quarter the total revenues of the company grew at 15% at Rs. 1,168 crores versus Rs. 1,015 crores in the previous year. Adjusting the revenues for the Elder business which was acquired during the year the growth of the company was at 7%. The Indian formulation business grew at 42% with revenues at Rs. 420 crores versus Rs. 290 crores during the last year same quarter.

After adjusting for the elder acquired business the Indian formulations business grew at 15%. As per the AIOCD MAT December 14 the IPM growth was 10% the covered market growth excluding the Elder portfolio was 11% while the Torrent growth for this quarter was 16% excluding the Elder portfolio. As far as the Elder portfolio is concerned as per AIOCD the covered market there was a degrowth of 5% while the Elder business grew at 15% on a rolling quarter basis. The international operations registered a growth of 4% and a constant currency growth of 11%. The major territories highlights are as follows.

US business showed a revenue growth of 16% with revenues at Rs. 171 crores and constant currency growth of 16%. Brazil Rs. 156 crores with a growth of 6% and constant currency growth of 19%. Europe revenues of Rs. 227 crores with a degrowth of 9% and on constant currency basis the revenues were flat. Rest of the world including Russia revenues were Rs. 105 crores a growth of 12%. Contract manufacturing operations 10% growth with revenues at Rs. 84 crores. The EBITDA for the quarter was at 26% compared to 21% in the comparative quarter of the previous year. The profit before tax was at Rs. 201 crores compared to Rs. 188

crores which shows a growth of 7% and profit after tax shows a growth of 6% at Rs. 167 crores versus Rs. 158 crores during the last year.

Adjusting for the one off which were primarily in the last year the PBT and PAT growth were 32% and 31% respectively. As we see the company policy the company declared a normal dividend as interim dividend which was at Rs. 5 per share that is 100% dividend.

Thank you all very much for the patience listening and we can now start the question answer session.

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

Sir, my first question is regarding the Elder business. So if we just back out the sales of Elder in this quarter it would be roughly about Rs. 81 crores versus say we did something like Rs. 96 crores to Rs. 97 crores in 2Q. So what I want to understand is what the reason is for this significant decline sequentially given that we had taken price hikes in Shelcal towards the end of the second quarter so to that extent our sales in third quarter should have been higher?

Ruchir Modi

So as I said during the last con call there was a slight element of pipeline filling in Q2 although not much. If you see the actual demand generation that has happened in the market for the rolling quarter we have grown by 15% over Q2 whereas the market has de-grown by minus 5% like Ashokbhai mentioned. Brands like Shelcal have grown by 15% over Q2 sequentially and Chymoral Forte by 37% among the top brands over last year same quarter we have clocked almost 50% growth actually and versus the market growth of 15%.

Now if you see the major brands like Shelcal, Chymoral and Carnisure have begun to outperform the market by a long way Shelcal has grown at 69% and Chymoral Forte by 72% which means the prescribers have begun to regain confidence in the trusted brands which have been market leaders and we are seeing the resurgence in the numbers too. Shelcal ranked 27th and Chymoral ranked 92 has gained 50 and 92 ranks respectively over Q3 2013.

Now last two months based on this regaining momentum Torrent is amongst the fastest growing companies in the IPM and the fastest growing for the month of December 2014 in the top 20 companies. I would say in terms of demand generation being back on track the quarter has been good for us and we are only looking up from here quarter over quarter.

Moreover, we have now bounced back among the top 5 companies as well and in the vitamin market with the Elder brands like Shelcal being back on the growth track. So if you normalize this slightly push in Q2 and look at the growths in Q3 actually 49 and 42 on an overall basis if you see would be around 45 and 45 on a normalized basis. So we are quite in a stable situation as far as the Elder portfolio is concerned.

Aditya Khemka

So sir, if I heard you correctly you were saying that 15% growth in Shelcal quarter-over-quarter as you know 3Q over 2Q?

Ruchir Modi Yes.

Aditya Khemka And 37% is the similar number for Chymoral?

Ruchir Modi Yes, so December MAT if you see Shelcal overall has touched Rs. 250 crores as a brand highest ever.

Aditya Khemka So why then this sequential decline in the overall sales is my question actually. So is there seasonality to the portfolio?

Ruchir Modi If you look at the secondary sales and not just look at the primary sales trend because like I said that on a normalized basis it will still be okay. I said that in my last con call that there was a slight element of pipeline filling in Q2 although not much.

Aditya Khemka So are we still confident of say doing a Rs. 400 crores in the first four quarters of consolidation in the Elder portfolio?

Ruchir Modi Yes, definitely.

Aditya Khemka And my second question is for the US geography. So in the US sequentially again the delta has not been much really only about Rs. 4 crores to Rs. 5 crores and given that we understood that there was some shelf stock adjustment taken in the second quarter which has not recorded in this quarter and the dollar has again sort of appreciated by 2% to 2.5% against the INR quarter-over-quarter and thirdly, we have the price hikes in certain products which were taken in second quarter which should have reflected for the full quarter in the third quarter. So why then there is just only very marginal growth in the US was this the extent of shelf stock adjustment that we had taken last quarter?

Sanjay Gupta Yes, I think a better comparison would be to compare to the same period last year. So if you look at in the previous year we had launched Duloxetine in the November-December time frame. So because of which the comparables are quite high so removing that Duloxetine impact there would be a substantial growth and on a sequential basis I would say that we have not had any new launches this quarter so it was business as usual and ongoing I would say price reductions which are part of the industry phenomenon lead by all these new consolidations that have taken place amongst the customer base would be the reasons why the growth is not been higher than what it is. But on a year-to-year basis even excluding the Duloxetine impact we feel that our growth is substantial.

Aditya Khemka So just to understand if I get you correctly so last quarter I think Sanjay sir, you mentioned that the shelf stock adjustment is immaterial although we did not disclose the amount but it is material. So given that that has not occurred so can you explain to the extent what is the extend of price correction we have seen in third quarter of FY15 compared to what our prices were in the second quarter of FY15?

- Sanjay Gupta** I would not be able to tell you exactly what the price correction is but in the US market how it works is that even in situations where you are taking price increases it actually costs you money in the initial few months because of the nature of the contracts that you have with customers so you have to in a price increased situation also you have to pay certain amounts to about may be sometimes 30 days; sometimes 45 days; sometimes even longer in terms of credit to the customers upfront.
- So that would be one of the factors also which impacts because we have been I would say monitoring our prices very carefully both on the way down and on the way up. So there could be price factors relating to long term price increases which impact your short term results. So it is a mix of factors so I would not be able to split them out explicitly for you but you would see some of the positive impacts in the quarters ahead also.
- Aditya Khemka** Sir, last question for Mr. Ashok Modi. So sir, we have seen the adverse impact of the currency movements in our Brazilian growth the growth in INR terms is much lower than the growth in constant currency terms but we have not seen an equivalent impact on the cost side because and correct me if I am wrong here but some part of our Brazilian sales also goes in local currency cost but if we look at our other expenditure it has still grown 27% to 28% year-over-year whereas our sales has just grown 6% for the Brazil market. Would that mean that excluding the Brazil sales which might have actually fallen in rupee terms because of the currency impact the rest of the business costs are growing much higher than 28%?
- Ashok Modi** No, you see the Brazil sales have not de-grown actually there is a lower growth compared to constant currency growth so there is a 6% in there.
- Sudhir Menon** I think basically the COG is looking higher because you were talking about the COGS, right?
- Aditya Khemka** Both the COGS as well as the other expenses actually?
- Sudhir Menon** So there is basically the COGS has gone up because it is the function on the sales because the sales is at lower rate because of the rupee depreciation which has happened. But if you adjust for the constant currency then it would come to the same level as previous year. That is one of the factor even for expenses the same thing had happened but compared to previous year the overall expenses are lower.
- Moderator** Our next question is from the line of Bino Pathiparampil. Please go ahead.
- Bino Pathiparampil** See I had two questions. One is that you are obviously done well given the emerging market currency headwinds. I just wanted to understand how are you seeing and what is the outlook on Russia and Europe in particular going forward and do you think Russia is stabilizing or the overall market outlook? Secondly, the resolution to also raise capital both equity and bond I just wanted to understand what is the thinking behind that?
- Ashok Modi** To answer your first question about Russia see Russia has always been a fairly let us say changing sort of an economy and the Ruble depreciation during the current year is added to the

fuel. And all that is majorly coming from the oil prices the way they are moving in the world. So which way the Ruble will settle is anybody's guess. Presumably it should stabilize now having moved up to this levels and presumably oil prices also should stabilize but a lot of that depends on how the world economy moves with respect to oil and correspondingly how Ruble moves vis-à-vis dollar.

As far as our borrowing programs are concerned as we mentioned it is more of an enabling sort of an authorization which we have taken from the board for taking the shareholder's approval. We have been looking at various opportunities for investments and inorganic growth and all. So as and when these opportunities do materialize we should be in a position to move quickly in terms of closing out the deal including the funding for those requirements and that is why this enabling resolutions are taken from the shareholders so that the requisite paperwork is taken care. The actual borrowings would depend on the right time and opportunity for the funds as and when they come.

Bino Pathiparampil

Okay and what is the outlook on Europe?

Ashok Modi

Europe in terms of the business?

Bino Pathiparampil

In terms of business, yes in terms of how you are seeing traction on the business side?

Sanjay Gupta

So I would say that this quarter has not representative of the general trends in our European business. So we have had a couple of I would say impactful issues. One is one of our very large products and we are seeing some I would severe price competition around this product. And the second is that we have some major launches plan which had not taken place. So that is one of the reasons why we have not benefitted from the upside that we had planned to but in the quarters ahead we should be back on our growth trends.

Our record in the last nine months in terms of the number of tenders that we won in Germany is the highest amongst all companies all the molecules that we commercialized in Germany. So just to remind we have about 130 molecules that we sell in Germany so it had a very good track record in terms of the first nine months of this year in terms of winning tenders. So we would see a positive growth trend in the quarters ahead.

Moderator

Our next question is from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru

First again on US I mean last quarter you mentioned that probably filing rates will increase currently you have just filed one ANDA I mean where do you think the pickup will exactly come in which quarter or Fiscal?

Sanjay Gupta

So it would be in this Fiscal year so I would I mean subject to my R&D colleagues delivering as promised is we should be close to double digit filings in the new Fiscal year.

- Girish Bakhr** The reason I asked Sanjay is because lot of your peers are taking advantage filing before May because I think the guidelines changed probably in May when you have to submit to exhibit batches. So are you not utilizing that opportunity?
- Sanjay Gupta** That window has closed so we have used to it the extent we could but we did not have a bullet doze of filings before the change in guidelines in the middle of last year.
- Girish Bakhr** And second question was on ABILIFY I know you again mentioned in the last quarter outlook probably would be clearer only later but what is the current status of the case if you can throw some light on?
- Sanjay Gupta** So there is two things in that. One is the FDA and the other is the litigation. So normally we would expect our product to be approved from the 20th of April so that is when the pediatric exclusivity expires for Aripiprazole. Once the product is approved so if Torrent has to make a call because we are under litigation so there are two patterns on which has challenged Torrent's products and those are linked to a certain form of the API. In the course so we are under litigation so that is the big difference because when the product gets approved Torrent would have to decide as a function of the state of litigation at that point in time whether we are comfortable launching the product at risk or not. So that is the call that we would make on the 22nd of April so I would not like to comment upon it right now.
- Girish Bakhr** Just clarifying on that little more I mean my understanding was the call probably will have to be made bit in advance as per the notice by the innovator if companies are prepared to do launch they will have to inform the innovator?
- Sanjay Gupta** The Court has given us I mean I do not want to go in to the nitty-gritty but we have an option to disclose the strategy to the Court we have an option not to disclose our strategy to the Court. So I do not think we are comfortable at this point explaining our detailed strategy either on this call or to the Court because it is not compulsory that for us to make a call at this point in time. It is an option but it is not a compulsion.
- Ashok Modi** So what Sanjay meant was that you would come to know on the 22nd of April obviously we will need to take a call earlier than that.
- Girish Bakhr** And you are saying most likely it will be if you have to take call on 20th also it will be launch will it be?
- Ashok Modi** No, we did not say that that is a call we will take and once we take the call and once the time comes only we will be able to disclose whether which way we are going.
- Girish Bakhr** And just lastly on Nexium where is the approval held up there?
- Sanjay Gupta** So the file is with the FDA we have responded to all the queries so there is nothing pending from the Torrent side. What I can tell you is that we expect the approval in I would say the first half of 2015 or in the middle of 2015 time frame. So I cannot exactly pinpoint but there is

nothing due from Torrent to the FDA so we are kind of in anticipation that now that the FDA has cleared the tracks for this product that we would in the next wave of approvals. So I would say that by the middle of 2015 we should be good. That would be my expectation.

- Moderator** Our next question is from the line of Nimesh Mehta. Please go ahead.
- Nimesh Mehta** Sir, on the US launch Exforge and Exforge HCT can you throw some light because the FTF old has already launched it and you already have a tentative approval?
- Sanjay Gupta** I am sorry which products that you are talking about?
- Nimesh Mehta** Exforge that is Valsartan, Amlodipine if I am not wrong?
- Sanjay Gupta** So we have not yet launched the Valsartan, Amlodipine combination and we would be launching it soon.
- Nimesh Mehta** Post 180 days exclusivity right?
- Sanjay Gupta** Yes.
- Nimesh Mehta** So what is holding up your launch of Valsartan HCT?
- Sanjay Gupta** It is essentially we have not received the FDA approval yet so once we have the FDA approval we would launch that.
- Nimesh Mehta** You do not have a tentative approval?
- Sanjay Gupta** Yes, I am not sure whether we have a tentative approval but we do not have a final approval yet so we are just sitting back on that launch.
- Nimesh Mehta** My general impression is that once you have a tentative approval it is a matter of your wish to launch it I mean to get our final approval or is that something in between?
- Sanjay Gupta** No, on tentative approval we will not launch, we need the final approval.
- Nimesh Mehta** The other question is actually on Elder's business so just wanted to ensure I mean have we taken price increase and also reduce the trade margin and is it like fully reflective in this quarter or how do we see that panning out?
- Sanjay Gupta** Sorry?
- Nimesh Mehta** On the Elder portfolio does this reflects the full impact of price increase and the trade margin reduction?

- Ruchir Modi** This quarter does not impact the full price increase benefit because probably 45 days or something not the full quarter and because November mid is when the price increase was done and so probably secondary channels would have picked up at the end of November or something.
- Nimesh Mehta** And we have done it for all the three major products or only new products?
- Ruchir Modi** All the major products.
- Nimesh Mehta** You were to tell something on the trade margin as well?
- Ruchir Modi** Yes, I did not get that question what is trade margin?
- Nimesh Mehta** Sir, we also reduce the trade margin I mean I just wanted to know whether the full quarter impact is there in this quarter or not?
- Ruchir Modi** No, we have not it is the same.
- Nimesh Mehta** The trade margin has not been reduced?
- Ruchir Modi** No.
- Nimesh Mehta** Because last quarter or probably even before that you had mentioned to reduce the trade margin?
- Ruchir Modi** You mean to say the scheme?
- Nimesh Mehta** Yes, margin to the retailers or wholesalers?
- Ruchir Modi** Yes, we have done that. So I will tell you two things. Typically what was happening is that there was a scheme existing earlier which was a nine plus one which we have made 90 plus 10 so minimum 10 boxes have to be bought initial basis and then what we are also done is we have withdrawn the scheme completely because we believe in the prescription generation business and not the pool business and that completely removal of scheme will happen from this quarter. But let us say just for buying 10 boxes they were getting nine plus one that is made to 90 plus 10 so they had to buy 100 boxes for getting their scheme so that itself reduces a huge purchase on schemes.
- Nimesh Mehta** And finally, if we adjust for the channel filling in Q2 what do you think is the growth or decline Q3 to Q2 of?
- Ruchir Modi** Let us say Q2 was 95 and this Q3 is 85 so you can say 90/90 the same. I would also like to mention one more thing that Yes it is the same. And I would also like to mention one more thing that one of the slide mentioned of our synergy and integration in pain and wound care actually lot of long time this question is unanswered I have been avoiding that it is sensitive in

nature lot of you have been asking about the synergy benefits and we have I would like to announce here that we have merged two divisions in our domestic business so our Uno Vista pain division of Torrent and the A2 division of Elder which has the Chymoral brand both the divisions are merged which will now result in to reduction of 304 field staff from April onwards. Already 150 have been reduced. And I think this was done on 1st of December. So this is one of the important events as far as the Elder integration is concerned.

Nimesh Mehta

And which is what explains the reduction in our staff cost QnQ sequentially?

Ruchir Modi

Yes, so I mean let us say in December month we did this and hence 150 people impact will start from mid-December it would have come from mid-December however 150 float has been kept and that will gradually in a natural process happen as the attrition happens we want in the vacancies then how it is because it is a unionized cadre we cannot take measure it overnight. So from next year April 2015-16 you will see the full impact.

Moderator

Our next question is from the line of Kartik Mehta from ICICI Securities. Please go ahead.

Kartik Mehta

Just to understand from you sir, we have put up an enabling resolution I assume for about Rs. 10,000 of crores fundraising. Just wanted to understand your thoughts on this and would it be to retire any of the existing debt or which of the geographies you would look at to acquire any assets sir, this will be helpful?

Ashok Modi

Retiring the existing debt obviously may be one of the options for which we may raise the fund. But as of now there are no concrete plans for anything. As far as the acquisition is concerned we have been concentrating mainly on the Indian Territory and US and probably Brazil.

Kartik Mehta

And would your thoughts be on anything which will be like a specialty business or would it be to enter the market we are already there in actually Brazil so would it be to enter any therapies we just wanted to understand your thoughts on this so it is helpful that it is in the US space so if you can add anything?

Ashok Modi

May I request one thing because this is a question which would be I would be happy to answer that offline to you if you could perhaps you can talk on this tomorrow.

Kartik Mehta

And what is the tax rate that we should assume for FY16, sir?

Ashok Modi

Presumably we may be in MAT.

Moderator

Our next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak

First question is on ABILIFY. Now there are the things some 4 to 5 tentative approvals and but there are more Para-IV filings. So on the expiry of the compound patent in April 2015 it is the sense is that only those players to get the final approval or do you expect more players?

- Sanjay Gupta** Literally, we do not know the answer to that because the tentative approval is not something which is cast in stone so you do not necessarily need a tentative approval to get a final approval. So while we would expect everybody who has a tentative approval to get a final approval I would not be able to say whether that is still exhaustive or not.
- Dheeresh Pathak** And in the past have you had any at risk launch?
- Sanjay Gupta** At Torrent, no.
- Dheeresh Pathak** Second question on Brazil now just to understand the market how it works there so for Indian companies now that currency is depreciating is it possible for Indian manufacturers to increase prices or because of the local competition you are not able to increase prices?
- Sanjay Gupta** So in Brazil the law actually allows all companies to raise prices by once a year and as per certain guidelines so that usually takes place in March. So there is a scope for an annual price increase and the government allows that and we would be doing that in March of this year. So that has been the norm all the years that we have been in Brazil so it is not exception.
- Dheeresh Pathak** Sir, typically most markets a certain percentage of the pharma market is price controlled by the government and certain products you allow to have a free pricing. What is the same for Brazil is that for all products in your portfolio you can take once a year price increase that is in March?
- Sanjay Gupta** So it works like this. So for all products the legislation is the same. At the time if you launch a product there is an official permission of price which is called the CMED price. So that is you let us say that for branded generics it has to be lower than the branded products or the original reference products. So there is no guideline as to how lower it has to be. So for example if you launch a new product you can be 5% below the branded products in what is known as the CMED price. So the official price that you have submitted to the government. After that under the CMED price you can pretty much do whatever you want but the CMED price you can increase only once a year. So if you wish I can take competition based price increases, decreases during the course of the year that is not a problem. But it is all has to be done under the CMED price which was the official price I had submitted to the government when I had launched the product. Once a year I can adjust the roof.
- Dheeresh Pathak** So you cannot go beyond that official price but to be extent that you are below that price you can change prices, right?
- Sanjay Gupta** You got it. I can change the roof only once a year.
- Dheeresh Pathak** And now what percentage of the pharma market is Indian manufacturers or does the competition allow you to take prices driven because the currency is depreciating?
- Sanjay Gupta** We have taken price increases so we have increased prices for three products in the last two quarters and so I would say the Brazilian competition generally tends to be quite intelligent

competition so but it really depends upon who your peers and what pressures they are under. So it is not unusual in Brazil to take price increases during the course of the year as long as you stay under the CMED ceiling.

Dheeresh Pathak But would it be fair to understand that you and other companies would take price increase just to offset the currency depreciation?

Sanjay Gupta So Brazil is not a large API manufacturer as a country so you would expect most of my peers here Brazilian or otherwise would be importing their APIs. So it would be under the same pressure as us. So I think it would be a reasonable assumption to assume that they are also negatively impacted and would be seeking to compensate for the same pressures.

Moderator Thank you. Our next question is from the line of Deep Master from Enam Holdings. Please go ahead.

Deep Master Hi sir, you said once you adjust for Elder and channel filling last year the Elder seemed for 90 last quarter and 90 this quarter but then you said that Chymoral and Shelcal grew at 16% for Shelcal and slightly more for Chymoral. So could you just explain that a bit further?

Ruchir Modi The 90/90 I am talking of the internal numbers whereas the growths and other details that I shared is the secondary numbers reflected on AIOCD.

Moderator Our next question is from the line of Nitin Agrawal from IDFC Securities. Please go ahead.

Nitin Agrawal Sir, on the in this quarter excluding the other income which is largely FOREX gains against the hedges our EBITDA margin would be sharply lower compared to what we have clocked over last several quarters now even if you account for the adjustments which are there which could be there because of Duloxetine sales. I mean how should you look at the margin in this quarter is there some sort of aberration because of the FOREX fluctuations and what could be normalized margin base for the business going forward?

Ashok Modi See I would not be able to tell you what would be the margins going forward but yes, the FOREX is definitely an important element in the margin play and quarter-on-quarter there would be an impact of FOREX both from the positive and the negative side on the margins. In this quarter there would be an impact of FOREX and keeping on adjusting it for FOREX and all is the call which you will have to take how much traded for future and what is the continuation of this FOREX gain something which I will not be able to say.

Nitin Agrawal Sir, my question was more apart from that if you can just keep the FOREX gain aside on the core EBITDA as we call excluding the FOREX gains. I mean we are sharply lower compared to what we were for the last few quarters now. So what explains that dip in this quarter?

Ashok Modi But what are your numbers when you say sharply lower than the previous quarters?

- Nitin Agrawal** Sir, we have a 20.5% of sales excluding the other income and this number used to be up around 22% to 23% over the last several quarters?
- Ashok Modi** I will have to answer to you probably offline on this. Rishi will be able to give you these numbers offline.
- Nitin Agrawal** And secondly on Detrol XR I mean what is the visibility on launch of the product?
- Sanjay Gupta** I would essentially say that we would be launching that product let us say in the first half of this year so 2015 first half we would be somewhere hopefully ready to launch this product.
- Nitin Agrawal** And this should be like a 3 to 4 player market or you think it is going to become like a more crowded market in that?
- Sanjay Gupta** I do not know what it will become but right now it is a two player market.
- Moderator** Our next question is from the line of Rahul Baijal from Bharti AXA Life Insurance. Please go ahead.
- Rahul Baijal** Just want to understand given that Euro-INR is going to be volatile and probably Euro is going to weaken further. How are you approaching hedging for your European business going forward?
- Ashok Modi** See we have a very well laid out hedging policy which we follow for all currencies and all territories. So we will continue with the same hedging policy which will provide a fair degree of predictability internally and that is what we intend to continue.
- Rahul Baijal** So is it fair to assume that this high other income which has come this quarter it has a high component of FOREX gains coming from Euro INR hedges?
- Sanjay Gupta** Yes, there would be FOREX gains and it would be including obviously the Euro, yes.
- Rahul Baijal** And are you sufficiently covered for the say for the next three to four quarters?
- Sanjay Gupta** Yes, generally we cover well forward.
- Rahul Baijal** And what about the Brazilian business, do you have similar hedges like you have in Euro-INR for Riyal as well or they are not in place?
- Sanjay Gupta** See the hedges for the second leg of currencies would also depend on the respective country's hedging regulations. So country by country the figures may vary depending on the respective legislation. Brazil has some restriction so to that extent our hedging would be restricted.
- Moderator** Our next question is from the line of Ranveer Singh from Sharekhan. Please go ahead.

Ranveer Singh Just one thing in ROW business where we saw some business has been discontinued so just I wanted to understand on like-to-like basis what growth would have been?

Ashok Modi We would not be really able to share the specific numbers of the discontinued business with you.

Moderator Our next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma Sir, just wanted one is there are couple of probably ramp up in the US business and in case of Telmisartan and Telmisartan/HCTZ and other products how has been our market share performance has there been a major price decline?

Sanjay Gupta So the dynamics are different by product so I would treat them almost at three separate products. So I would say the better launch is Telmisartan HCTZ so there is roughly a five player market on TELH and the Torrent market share has been about 10% and we would expect that to be based on the contracts that we have signed in the course of the next six months it should be in the 15% to 20% range I would say which is where we generally consider our fair market share for any molecule to be. And for Telmisartan it is a different story the market is a lot more competitive there are six players and my current share is about 12% and I would expect it to increase also to reach that 15% to 20% benchmark in the next few months. But the pricing scenario on Telmisartan is not as attractive as on Telmisartan H.

Rahul Sharma And sir, how do you foresee your Moxifloxacin opportunity sir?

Sanjay Gupta Moxifloxacin is not an attractive market.

Rahul Sharma And sir, could you give the breakup of your other operating income for the quarter and for the nine months in terms of FOREX element and milestone payments?

Ashok Modi I am sorry we do not be able to share these details with you, sir.

Rahul Sharma You do not share it sir, now on a quarter basis?

Ashok Modi No, we do not.

Rahul Sharma And sir, last question was on the overheads have also gone up on QnQ basis any particular reason for the same?

Ashok Modi You mean the other expenses?

Rahul Sharma Yes, the other expenses?

Ashok Modi This would be a routine sort for the thing. These details I can provide you offline.

- Moderator** Our next question is from the line of Arvind Bothra from Motilal Oswal. Please go ahead.
- Arvind Bothra** I just wanted some color on the domestic market what is your outlook on the base business you have added new divisions you have started the synergy benefits. What kind of impact do you see on non-NLEM products in terms of pricing, etc.?
- Ruchir Modi** Yes, so I continue to believe that the weighted average price method is a very fair method and most of the Indian companies would not be impacted much especially the specialist driven companies and it will be the companies with very high price who will be impacted and also if you see the performance as per the quarter has been as per our expectation however we will continue to outperform moving forward in the market like key therapies like cardiology, diabetes, gastroenterology, multi vitamins which we feel is vacuumed from these things; CNS and pain management. Moreover, we feel that we will continue to be amongst the fastest growing companies in therapies like CNS, dermatology, diabetes, and gastroenterology to name a few. So according to me this price impact with the new announcement expected moving forward from Torrent's perspective there is not a threat.
- Also being driven by this synergy now where we see lot of PCPM improvement also coming in moving forward we will cross the 5 lakhs PCPM from April itself as Torrent. So if you look at effectively Torrent have 14 divisions and two of Elder which was acquired 16 has become now 15 with the synergy; however, like you rightly said nephrology segment division launch which we have done now this typically is like oncology and hence only you need 25 people all over the country for the entire division. So the typical fixed cost is very, very low. However, we have launched a very interesting product called Darbepoetin with the launch of this division which is the we were the third in the market to launch this and it is the first bio similar launch of Torrent so the recent deal that we have done with Reliance for the three maps it also before we actually start promoting those maps when we are in the market it gives us some knowledge about the bio-stimulants market also with this nephro division launch and Darbepoetin launch which is expected to be a big blockbuster. So all-in-all I would say it has enhanced our overall philosophy of focusing on specialty and super specialty more and more as the days go by.
- Arvind Bothra** Also I just wanted understand from your CAPEX need so what is the CAPEX need for the next couple of years and you currently have one formulations facility catering to the US. Any plan to diversify it?
- Ashok Modi** To answer the second question first our Dahej SEZ facility is likely to get operational during the next financial year. We have also initiated the US inspection for that during the year. So that would be the second facility which would have the US and European and other major country's approvals. As far as the CAPEX is concerned post this plant the CAPEX is likely to be for an additional manufacturing facility but over the next two to three years we would be spending I would say not more than Rs. 200 crores to Rs. 250 crores in CAPEX.
- Moderator** Our next question is from the line of Krishna Prasad from Franklin Templeton. Please go ahead.

- Krishna Prasad** First one is on carbamazepine. If you could just talk a little bit about the market there have you taken any price increases and if you are backward-integrated on this product?
- Sanjay Gupta** So carbamazepine in the US has been I would say in inadequate supply so for Torrent we were for carbon carbamazepine chewable we were the third out of 3rd player and for carbamazepine IR we were not even a player I would say we had the product but because of various reasons we were not actively selling it. We are not backwardly-integrated but we have benefitted recently from a lot of customer interests in these products. So I would say that we have been able to re-price these products and also move our share forward and if you would be monitoring the IMS data in the months ahead you should be seeing some positive trends there.
- Krishna Prasad** So you are only seeing in the market share?
- Management** Carbamazepine you would have seen it has gone up from 17% in September to about 22% in November but on IR our share is stuck in the 3% situation which is not acceptable and it will not be the case six months from today.
- Krishna Prasad** And these shares would come at much higher price and volume?
- Sanjay Gupta** Yes.
- Krishna Prasad** And just on your hedge gains that you talked about can you quantify that number how much is the hedge gain in this current quarter?
- Ashok Modi** No, that is something which we would not be able to share with you.
- Moderator** Our next question is from the line of Abhishek Sharma from India Infoline. Please go ahead.
- Abhishek Sharma** Just on the enabling resolution and where does your interest lie as far as the US is concerned are you looking to basically gain a bigger frontend there is it ready sales that you are looking at or are you looking at in terms of building complex capabilities? That is first question and the other is around GVK Bio and has there been any adverse impact on your European business because of the ongoing regulatory concerns at that facility?
- Ashok Modi** As far as GVK Bio is concerned no, there has been no impact. As far as our interest in acquisitions is concerned I think that is a topic better covered offline in a separate conversation if you do not mind.
- Moderator** Our next question is from the line of Bharat Celly from Research Delta Advisors. Please go ahead.
- Nimish Mehta** This is Nimish again. Most of the questions have been answered. Just where to tell something on the margin outlook so if you can I mean assuming that the FOREX will remain the same just wanted to know that?

- Ashok Modi** See typically you might be knowing that we do not give out anything on the future performance of the company but having said that I would say that FOREX remaining the same. I do not see any deterioration in our current performance as far as the costs and prices are concerned.
- Nimish Mehta** So the margin would remain the same or it will go up is what I am trying to understand?
- Ashok Modi** It may improve as we go forward with the volumes increasing but that is something like we typically do not want to sort of say any numbers as far as the forward periods are covered.
- Nimish Mehta** And finally on the Brazil business this quarter also on a constant currency we have kind of grown by 19% so do you think that we are like on a sustainable growth path so just also some bit of outlook on that would be great?
- Sanjay Gupta** So let us say that we are very optimistic on the Brazil market I mean that the country has the macro level issues but with our share of the overall pharma market being in the range of 1.2% we are really not impacted so much by that macro level issues except for the currency fluctuations. So for the first time Torrent has been amongst the top 20 prescription generating companies in Brazil despite the fact that we cover only 15% of the Brazilian pharmaceutical market. So it is a kind of landmark achievement for us so from here onwards I would say for Brazil we would be following the Indian recipe that has worked quite well for Torrent.
- So which means in terms of two or three things in terms of focusing on lead brands so we would be interested in looking at how many brands of ours are in that top 100, top 200 brands and also in terms of focusing on productivity in terms of PCPM because we find ourselves at the lower end of the best-in-class Brazilian performance and which is not unlike Torrent several years ago in India. So our focus is to bring our Indian experience on Brazil and also to benchmark against the best companies in Brazil. So I would say in a nutshell that we expect our specialty focus in Brazil to continue, to see a sustained growth in Brazil with higher levels of productivity from the resources that we put into work.
- Nimish Mehta** And if I can squeeze one more. You have mentioned something about the PCPM in the domestic market and I missed it. So has it improved and what was that you mentioned just couple of questions?
- Ruchir Modi** So it has improved to 4.3 lakhs for Torrent and Elder is 3.0 lakhs; however, like I said that post the synergy you will see Elder also coming to that. And Torrent is 14 divisions of Torrent is 4.3 lakhs. However, once you see the full impact from April of this rationalization and also take in to account expected top line on a conservative basis we should be crossing (+5) lakhs overall as Torrent including Elder from April.
- Moderator** This will be the last question and it is from the line of Nishit Sanghvi from CIMB. Please go ahead.

Nishit Sanghvi

Just one question on the domestic formulations business. Now I was looking at your AIOC numbers for the nine months and actually the growth drivers in that probably the new product growth was probably the lowest among the peers so even in for the IPM the growth per se the new product percentage growth is 3% while we have for ours it is just 0.6%. So what has been the reason for such a low growth in the new product introductions that we do?

Ruchir Modi

Yes, so again last couple of quarters I have been saying that some tough stand has been taken in terms of stopping the new introductions. Last two and half years I hardly allowed any new introduction because our focus was on brand building and it can only come with the perseverance of the existing portfolio that we had. So existing brands we found that had tremendous forward potential but due to its new introductions in the past which were done very frequently the focus was getting lost on the exiting brand. So number one is that. Number two, so if you typically look at last two and half years only 12 new introductions are there.

However, moving forward as per the 5-year-plan this was my conscious strategy for the first two and half years. The next two and half years we are planning some 68 new introductions. So it was a conscious call just to bring that focus back but you will see lot products being coming in the moving quarters and also in like using like Reliance and some more which are in the pipeline will be the growth drivers as well.

Moderator

I would now like to hand the floor over to Mr. Anshuman Gupta for closing comments.

Anshuman Gupta

On behalf of Edelweiss we thank all participants and Torrent Pharma management for this interaction. I will hand it over to Mr. Ashok Modi for any closing comments. Over to you, sir.

Ashok Modi

Thank you for the good participation and I understand there are almost close to 150 people on the conference. Thank you all for showing the interest in the company and its performance and on behalf of all my colleagues. Thank you and good evening to all of you.

Moderator

Thank you. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.