



“Torrent Pharmaceuticals Limited's Q2 FY'23 Earnings  
Conference Call”

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LIMITED  
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**Moderator:** Ladies and gentlemen, good day and welcome to Q2 FY'23 Earnings Conference Call of Torrent Pharmaceuticals 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. Sudhir Menon. Thank you. And over to you, sir.

**Sudhir Menon:** Thank you. Good evening and welcome to Q2 FY'23 Earnings Call. Q2 revenue growth was around 7% which was aided by performance of the branded generic market, which constituted around 70% of the total revenue and registered a YoY growth of 13%. Growth in the branded generic market was driven by new launch momentum and performance of the top brands.

In terms of financial performance during the quarter, revenues were Rs.2,291 crores, up by 7% on year-on-year basis. Gross margins were 72% and has improved on a sequential basis. There is a one-off income of Rs.7 crores in the line item operating income and adjusted for that the operating EBITDA stands at 29.4%.

I now hand over to Aman for taking us through the India Performance.

**Aman Mehta:** Thanks, Sudhir. India's revenue at Rs.1,224 crores grew by 13%. As per AIOCD data, Torrent's growth in Q2 was 19% versus the IPM growth of 13%. Torrent's growth was aided by new launches, performance of top brands and market outperformance across our focus therapies. As per the end of the quarter, Torrent now has 12 brands with more than Rs.100 crores sales as of the MAT September '22 data set and 17 brands in the top 500 of the IPM.

A few highlights from the recent new launches: Sitagliptin was launched in July and Torrent is ranked first of the new launched brands in July. We expect the launch momentum to continue and are positive on maintaining a leadership position in this market. The rest of the launches from the earlier quarters continue to perform well and in leadership positions.

Our acquisition of Curatio Healthcare was completed on 14th October 2022. And it's been about a week now since the business has been integrated, and we will update on the progress of integration by the end of next quarter.

I will now hand over to Mr. Sanjay Gupta for the International Business.

**Sanjay Gupta:** Thanks, Aman. Starting with Brazil, which is our largest branded generic market outside of India, Brazil revenues were at Rs.185 crores, were up by 19%. Constant currency revenues were at BRL121 million, up by 10%. During the quarter, we experienced enhanced competition on one of our key launches, Rivaroxaban and another Cardio product, which led to substantial price reduction. So, there are currently 13 branded generic players in Rivaroxaban. Adjusted for the price reduction, our growth for this quarter would have been close to 20%.

On Rivaroxaban, our market share is progressing well, and it stood at 4% in August as compared to 3% in June. So, as per secondary data set from IQVIA, Torrent's branded generic business is currently growing at 14.4% as compared to a branded generic market growth of 12.1%.

Our CNS field force is being expanded in a phased manner. We currently have 306 sales reps in Brazil, including 41 CNS reps that were added in November of 2021. The results of this expansion have been positive.

With the market growth of high single digit to double digit, we expect Brazil to continue its growth momentum backed by performance of our top brands, new launches, field force expansion as well as our generic solutions.

Moving on to Germany, Germany's revenues were at Rs.220 crores, were down by 12%. Constant currency revenue was €27 million, a degrowth of 5%. Revenues bottomed out in Q4 of last year and have grown slightly in Q1 and Q2. Relative stability and slight incremental growth is coming from new launches, of which we had four in Q1 and we also had six launches in Q2. These launches included 1 - day 1 launch in Q1 and 4 - day 1 launches in Q2. Q2 day one launches were towards the end of September. So, the positive impact will be seen in subsequent months.

We expect our sales in Germany to continue on a positive trend at a modest pace until major trend start to kick in towards the end of the year.

Moving on to the US, US revenues were at Rs.292 crores, were up by 3%. Constant currency revenue was at 37 million. During the quarter, US FDA inspected our manufacturing facility at Indrad, Gujarat, and at the end of the inspection, we got a Form 483 with three observations. Torrent has already responded to the US FDA within the stipulated time, and we expect to hear back from the FDA in the next 90-days.

To conclude, I would say that we expect our growth momentum to continue in branded generic markets, particularly in India and Brazil, backed by new launches, market outperformance, field force expansion and the acquisition of the acquired portfolio. Germany should continue on a modest positive trend.

Operator, we can open the call to questions please.

**Moderator:** Ladies and gentlemen, we will now begin with the question-and-answer session. First question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:** So, my first question is in India business. So, first, can you split quarter growth into price volume and new launches? And a continuing question on India business is, you have seen very healthy 13% growth in Q2 as well as in the first half. So, do you see like sufficient level to sustain this kind of growth or do you think we can move to higher growth trajectory with Curatio portfolio coming in, in some of the previous initiative working for the segment?

- Aman Mehta:** So, the AIOCD data reflection shows 19% growth. So, obviously, that's a slightly higher reflection in this quarter than the reported numbers. But that breakup of the 19% is, 6% volume, 9% price, and 4% new products. We believe that the internal growth is pretty much in line with the earlier quarter and the market trends. So, maybe by next quarter, there should be a better reflection of the AIOCD data set in terms of volumes and new products. In terms of sustaining this growth, we think we are confident of maintaining this level of double digit growth, 13%-14%, last quarter was 14%, this quarter is 13%. So, no reason to think that there's anything that could change over here as long as the market remains at this level. And of course, by the end of this quarter, there should be just over two months of the Curatio sale that will come in. So, that will be I guess one of base impacts that we should see. But, at an underlying level, this level of double digit growth for India is something that we are confident in sustaining.
- Damayanti Kerai:** My second question is on Germany. So, if I'm not mistaken earlier you mentioned the new contracts will open up somewhere in September, October of this year. Apparently, that was not the case. So, when you are hoping to bid in new tenders with better prices which you have worked on.
- Sanjay Gupta:** So, I think earlier we have communicated that we would start seeing the impact on new tenders from Q3 onwards. So, you would see a slight impact in Q3, you will also see the impact of the four launches we had towards the end of September, and then you'll see a larger impact in Q4 of the new tender wins.
- Damayanti Kerai:** So, majority of improvement should be visible in the last quarter of the fiscal for Germany?
- Sanjay Gupta:** Correct.
- Moderator:** The next question is from the line of Prabhod from Tatva Capital. Please go ahead.
- Prabhod:** This is the question regarding Curatio. So, just want to understand, see, as per Finance Bill 2021, amortization of goodwill has been disallowed for claiming reduction in income tax. So, how exactly are we going to treat the excess consideration paid book value for Curatio?
- Sudhir Menon:** I think as a process, there is a purchase price allocation, which will be carried out. And as you rightly said, as far as goodwill is concerned, yes, it cannot be amortized. But if you are creating intangibles which are in the form of brands and maybe non-competent stuff, those amortizations are still available.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie Capital. Please go ahead.
- Kunal Dhamesha:** So, just on the Germany, when we're expecting good ramp up from Q4, would it be on the back of the new product or gaining back share in the older product?
- Sanjay Gupta:** It's a cumulative impact, right. So, the impact is coming essentially from some tender wins that we have already had those wins, and the sales will start in Q3 and Q4, plus the impact of new

launches, of which we've launched 10 products in the first half of the year, and we expect to launch five to seven more products more in the second half of the year.

**Kunal Dhamesha:** How does the competitive intensity there, in terms of when you say you basically won the tender for some of the products, would the pricing be very similar to what we would have seen last year or whenever the last tendering happened or is it very different now?

**Sanjay Gupta:** No, competitive intensity in the generics market goes up every year. So, the pricing tends to go down. So, Germany is not very different. The rate of price deacceleration is slightly lower than in the US. And also the business is more stable, because most tender wins are for two year periods. And generally, there is no switching in within the two year window. Hence, the market is more stable, but the trends are in line with other generic markets.

**Moderator:** The next question is from the line of Saion Mukherjee from Nomura. Please go ahead.

**Saion Mukherjee:** On the US market, one is like what is the intensity of price erosion, any comments there? And on Indrad site, how many ANDAs are pending from there? If you can throw some light on the nature of observations and in case it gets cleared what would it mean for our business and any interesting high value launch that can come through?

**Sanjay Gupta:** Essentially, from Indrad, we have about 19 products, which are pending approval. So, we would hear back from the FDA in 90-days. I would not like to speculate on what the FDA decision making would be. We have responded to the best of our ability with the CAPA that we proposed from the three observations. And once the FDA, if it converts the status from OAI to AI or NEI, we can expect approvals to trickle in. The approval for the 19 currently pending projects on Indrad would take after January between 6 to 12 months. So, it won't be an immediate switch on type of scenario and these approvals would come in a trickle manner. And what we would expect is that there is already a high degree of competitive intensity on most of these projects. So, the economic impact for Torrent would be limited, but there are still a few products which have potential for revenues. But let's see how it goes. But first, we have to do FDA clearance and then get approvals and then launch in the market context at that point in time.

**Saion Mukherjee:** Any comment on the pricing environment in the US?

**Sanjay Gupta:** Price erosion continues, I would say at a substantially higher level. At Torrent, as we have only a base older portfolio, we have not essentially had new launches in March of 2019, we would be disproportionately impacted. So, I would say that a mature portfolio like ours is double digit price erosion, it continues. We are compensating it with some of the volume increases as well as some of the few launches that we've had in the last two, three years from external parties. But no change in the price erosion trend.

**Saion Mukherjee:** On the cost, Sudhir, can you throw some light as to how different cost items have moved, where are they versus last quarter and how you see the key cost item panning out going forward?

- Sudhir Menon:** Saion, compared to Q1, I would say, Q2 is looking quite stable, there is no major increases, which we are seeing in the cost side.
- Saion Mukherjee:** Is it coming down or is it still stuck at elevated levels?
- Sudhir Menon:** I think as far as the key raw material part is concerned, there are pockets where the prices have gone up, and there are pockets where the prices have come down, but on overall portfolio basis is what I'm saying it's looking quite stable. The other big impacts item for us was on the logistics cost, which still it's not come down, it's at the same level as Q3 of '21-22, I would say.
- Saion Mukherjee:** So, overall you see the margin profile to sort of remain at the current level for the gross and EBITDA margin level?
- Sudhir Menon:** I would think so, because I don't see any major change happening at least in Q3.
- Moderator:** We'll move on to the next question, that is from the line of Neha Manpuria from Bank of America. Please go ahead.
- Neha Manpuria:** Sanjay, on the Brazil market, you mentioned price competition in two of your products leading to lower growth versus what we would have ideally seen. Just wanted to understand, was this not expected and hence, we'll be surprised by the price erosion, because it's a branded market, so wasn't like a one-time revision in pricing that we saw, just getting some color on that?
- Sanjay Gupta:** I would say that when we launched the product, that was not expected, because we were about the first five people to launch and after we launched, about eight new companies have come to the market at lower and lower price points. So, at some point in time, the launch price becomes non-sustainable. So, that was one of the reasons why we took a major price decrease on Rivaroxaban, which, as you know, is one of the largest markets in Brazil. And so we're seeing that, I mean, initially, our priority remains to penetrate the market, to get some of the originator shares. And we felt that the price reduction in this point would keep us competitive. But we were surprised by the large number of players who entered subsequent to our launch.
- Neha Manpuria:** Given that a large part of the Brazil strategy that we talk about is based on new launches coming through and driving that double digit growth, is the existing scenario, probably example of how the other launches could also pan out and therefore, good growth in Brazil be slower than what we are expecting given the competition that you've seen in the current quarter?
- Sanjay Gupta:** I have launched seven products in the last, let's say, 18-months. So, it's a little bit all over the place. If you take the largest products that we launched, which is Rivaroxaban, there were two players. The other product we launched is Venlafaxine where there were 11 players. But we've also launched products like Ticagrelor, where we are the only generic on the market. We've launched Ivabradine, where we are the only generic. We've launched Bisoprolol. We are number three in the market, three players. In Lacosamide, we are the second generic. So, it's a little bit all over the map, right? So, the biggest products tend to attract a lot of competitors. But midsize

or smaller products, you can still find opportunities where it's not a double digit number of competitive.

**Neha Manpuria:** Therefore, we are still confident about growing the Brazilian business in double digit based on the pipeline?

**Sanjay Gupta:** Absolutely. And also in the most competitive categories, we are used to winning. I mean, so the current business we have is not in, I would say, by any chance in limited competition markets. Our biggest product is Rosuvastatin where we sell more than Rs.100 crores of products in Brazil and I stopped counting competitors after '20.

**Neha Manpuria:** And in the product we've seen higher competition, have we been able to retain share or grow share despite the higher competition that we've seen?

**Sanjay Gupta:** The answer is categorically, yes. So, if you take the largest product, I just mentioned Rosuvastatin. It's in the mid-teens. And we also don't share it in the large products like Mirtazapine, Venlafaxine, Lamotrigine, and the brands are very strong. So, yes, we continue to perform well in large competitive markets.

**Neha Manpuria:** Aman, on the India market, could you give us some color on how the trade generic is progressing? We were supposed to launch more SKUs in the trade generic, how has that done in the quarter?

**Aman Mehta:** Yes, that's on track. I think the growth has been quite robust in the last two quarters as well. And we believe that this target of 2.5% to 3% contribution in the near term is something that would be possible and sustainable. And there is a very stable, steady trend in the business that we're seeing.

**Neha Manpuria:** So, the contribution even in this quarter would have been in the 2.5%, 3% range?

**Aman Mehta:** That's right.

**Sanjay Gupta:** Just to complete, Neha, on the market share that we were discussing, on Rosuvastatin, for example, we have a market share of 23%, on Nebivolol we have 47, on Gliclazide we have almost 70% market share, on Donepezil 28%. So, our market shares are quite healthy across the board.

**Moderator:** The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:** Sir my question is on US business from a slightly longer term perspective. So, it appears that the market will continue to remain very challenging and then we have other challenges such as regulatory or other compliance, etc., So, is there a possibility that a few years down the line you plan to curtail your presence in US or altogether edge it that part of the business and then focus better on the branded generic market?

- Sanjay Gupta:** No, I don't think we are considering that possibility right now. What we've done over the last few years is rebalance our investments. So, we are not making manufacturing related investments to the US. The last investment was on Dahej and after that we believe we have a substantial capacity for the next several years. So, there is no new CAPEX being done for the US market. In terms of R&D also, we have decreased the number of projects that we do for the US. We've increased the complexity, but the goal of the company is no longer to file high double digit number of ANDAs, and we've kind of rebalance R&D investment more in favor of markets like Brazil and Germany. So, all that kind of rebalancing has already taken place. So, in future the trend is continuing. But I would just like to say that there is no plans to become non-competitive or to reduce our presence in the US.
- Damayanti Kerai:** So, going ahead, you will continue to focus mostly in India and branded generic market from capital allocation perspective. Curatio was one recent deal. So, any other plans, which are in a near term, 12 to 15 months where you plan to add on?
- Sudhir Menon:** I think currently, that's it, Curatio we did, nothing, which is there in pipeline.
- Damayanti Kerai:** My last question is on India businesses. Do you have any contribution from PLI Scheme in current numbers?
- Sudhir Menon:** Yes, but it's very insignificant, Damayanti.
- Damayanti Kerai:** Will it be meaningful anytime in near term?
- Sudhir Menon:** Possibly from next year I would say.
- Moderator:** The next question is from the line of Karan Vora from Goldman Sachs. Please go ahead.
- Karan Vora:** Actually even I wanted to ask more on the capital allocation front. So, from a three to five year perspective, or say if you're allocating Rs.100 of capital, so, how would you allocate it or what is the thought process of allocating it between your geographies?
- Aman Mehta:** So, inorganic will remain India as a priority. So, I would think that if we're looking at Rs.100 in the next five years, maybe minimum Rs.90, even up to Rs.100 could be in India for inorganic growth. Organic will obviously depend on the geographical need and maintenance CAPEX which would be insignificant, but for acquisitions or inorganic growth, India remains the only focus right now.
- Karan Vora:** So, now, given that you don't have any CAPEX requirements, like your business will continue to churn a lot of cash. So, can we assume that you will be actively looking out for more inorganic or you would pay out dividends like what is the cash allocation, how will it be used?
- Sudhir Menon:** I think if the cash is not getting utilized or allocated for incremental growth, then, yes, what do you say is right, I mean, it will come back as dividends to you.



- Karan Vora:** Lastly, basically on India, Brazil and Germany, in terms of growth prospects for the next three to five years, is this understanding correct that India and Brazil would be double-digits and Germany could be high single digits, or you think you can push the double-digit barrier for Germany as well?
- Aman Mehta:** India, Brazil, depending on how the market growth continues, which we believe close to double digit market growth should continue for both. Then yes, there should be this continued delta of 3% to 4% above market growth that we should be able to deliver. Germany, I'll hand over to Mr. Sanjay Gupta.
- Sanjay Gupta:** Germany, we're looking at, I would say, it can be mid to high single digits as we get results of more tenders. So, we bid for many more tenders recently and we are waiting results. And if we come out on the right side, then the growth rate would accelerate. If we come out on the wrong side, it will slow down.
- Moderator:** The next question is from the line of Harsh Bhatia from IDFC Mutual Fund. Please go ahead.
- Harsh Bhatia:** So, I just wanted to get a sense on the Sitagliptin market right now, particularly at a broader level from the diabetes state space, what really is happening at the type one and type two level from Glimpiride or Gliptin perspective, as well as Insulin. Just wanted to get a sense on the strategy for our Sitagliptin products. I think so the pricing is not too different for the players who have launched at the generic level. So, just your thoughts.
- Aman Mehta:** So, the new wave of launches in DPP-IVs and SGLT-2s Sitagliptin being one of the latest DPP-IVs launched in the market, there is a clear wave of a shift in preference of prescribers to these molecules. And since all of the existing brands or molecules, such as SUs from earlier are all chronic therapies, so they cannot see any major disruption. We believe the long-term trend already shows that there is a shift to these newer generation molecules and seems to be so far that Sitagliptin is one of the bigger benefactors there. And so we had undertaken an expansion last year for the chronic divisions where Sitagliptin was one of the reasons where we have to focus on additionally. So, I think that's where we have been able to have an edge from some of the competition.
- Harsh Bhatia:** Will it be fair to say, for example, in one of our top 10-products like Glimpiride or Metformin, there you see enough stability to continue that product itself?
- Aman Mehta:** Yes, mid-single digit is what we're seeing, and even for the market, it's been slowing down, but it's not looking like it's going to degrow from here, it will remain at this level, because either patients continue on existing brands or this gradually shift when they go back to see the doctor if there is some additional diagnosis required. So, it's a very, very gradual shift. And we've seen this happened earlier also where the earlier wave of SGLT2 were launched, the shift was very gradual, but the benefit that Torrent as a diabetes company can get it that we are relatively a small player in diabetes and Rank 9. So, for our diabetes base, these new launches can add a significant amount.

- Harsh Bhatia:** Just one last bit on the gastro portfolio. We are seeing a lot of tailwinds as we are at the flag end of COVID. So, anything particular trend wise you're seeing in the gastro space for Rabeprazole or Ezomeprazole or anything in particular you could share?
- Aman Mehta:** These markets did see a continued uptick even post the delta wave last year, so which will be Q2 last year and so that continuation of that base made sure that market for the full year was growing very fast. Obviously, that growth would get normalized this year. And hence the absolute growth numbers may look slightly lower. But overall the market is growing quite well. Our brand Nexpro is a leader brand at Rs.365 crores on a MAT basis, this quarter has grown about 14%, and Veloz on the other hand is growing at about 20% which is nearly a Rs.200 crores brand. So, our PPIs together next one which are now nearly Rs.550 to Rs.600 crores. We believe high teen growth is something that would be sustainable there.
- Harsh Bhatia:** High teens at the normalized level?
- Aman Mehta:** That's right.
- Moderator:** The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Now, since you have completed Curatio deal, can you provide some more clarity on the funding part of the deal? In the call, you mentioned that it will be likely funded through debt. But now, do you have better clarity on that part?
- Sudhir Menon :** Substantially debt.
- Damayanti Kerai:** Sorry, the entire funding will be through debt?
- Sudhir Menon :** Yes, it's substantially through debt, I would say.
- Damayanti Kerai:** The average cost for that debt will be?
- Sudhir Menon :** Should be around 7.2, I would say.
- Damayanti Kerai:** So, this year you will be adding on debt for this funding. On the existing debt you had earlier like plan to pay off debt substantially. So, for this year, how much net reduction we should take on the debt part?
- Sudhir Menon :** So, the existing debt, which will be paid off is Rs.900 crores, and then on top of that there's Rs.2,000 comes. So, I think there would be a net addition of roughly Rs.1,100 - Rs.1,200 crores at the year end.
- Damayanti Kerai:** So, Rs.900 crores debt payment on the existing obligation and then this Curatio will add on, so let's say this is round Rs.1,200 crores you're saying?
- Sudhir Menon :** Correct.

- Moderator:** The next question is from the line of Mehul Seth from Axis Capital. Please go ahead.
- Mehul Seth:** Just one question like the AIOCD Q2 growth is somewhere in the range of like 15% to 18%. Your reporting numbers are 13%, so why there is difference between the reported and the AIOCD. Any specific reason for that?
- Aman Mehta:** No, it's not really clear yet. But this is something that happens occasionally. I mean, even in the previous quarter, the market was showing 2% growth, and even the COVID normalized market was showing, mid-single digit growth, but compared to that, our growth was 14% reported. So, I think if you probably look at the AIOCD growth on a MAT, or even YTD basis right now, which is showing about 7% for the market, as against that Torrent's reported growth is about 13% - 14%.
- Mehul Seth:** One question on your other income side which is lower for this quarter. Is there any FOREX element on the other income, sir?
- Sudhir Menon :** Correct. So, I think that movement which you're saying is basically because the FOREX gains have come down in this quarter.
- Mehul Seth:** And also you mentioned about one of the other operating income. Is this related to which part of the business?
- Sudhir Menon :** Related to US part. And it's not Rs.12 crores, it's 7 crores.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie Capital. Please go ahead.
- Kunal Dhamesha:** A very basic question again. So, between let's say the Brazil branded generic market and India branded generic market, what would be the key difference in the way the business is conducted in both of these markets?
- Aman Mehta:** So, India and Brazil are intrinsically similar markets because they're both through physician coverage and we have a field force in both markets, meeting doctors, we have divisions. The regulations are slightly different compared to India in Brazil, for example, there is the NLEM piece that we have in India as one regulatory framework, which is slightly different in Brazil, which maybe Sanjay can explain a bit more. But broadly speaking, the market dynamics are quite identical in terms of sales and marketing, in terms of market potential, in terms of competitive positioning.
- Sanjay Gupta:** I mean, that's the reason why Brazil was one of the first geography we chose outside India, because it resembles India quite closely. So, an interesting market patients pay for most of the medications and doctor prescriptions are respected a lot. So, essentially, you build equity with physicians, and that's what we've managed to do over the last 15-years in Brazil. So, it's a long term gain and we're playing the branded generic business quite along the same recipe as we do in India.

- Kunal Dhamesha:** Can you just elaborate the difference on the NLEM piece, how they are different?
- Sanjay Gupta:** Yes, so Brazil is slightly different, in the sense that all products have some kind of price regulation. So, what the government does is differentiate the products into three categories based on the intensity of competition. So, category 1,2,3; 1, being the most competitive, and three being the least competitive. So, the least competitive tend to get lower price increases, authorized by increases every year, and the most competitive get higher prices. So, these are least price increases. And after that companies are free to do whatever they want in terms of the actual price increases that they take on any particular product. So, that's how they're different. In India, NLEM is the list. In Brazil, there is no finite list, all products are subject to price regulation. And the price regulation takes place through annual increases that are allowed, but different level of increase by category of the market.
- Kunal Dhamesha:** But isn't that a little bit counterintuitive, like most competitive would be allowed higher pricing to do this, because people will not take it because of the business dilemma, is the way to put it?
- Sanjay Gupta:** The market is not concentrated, it is diluted. So, if there are 10 players, they allow a higher price increase, because they think that the competition will drive the price down lower.
- Kunal Dhamesha:** And let's say a slightly longer-term question from the India chronic therapy segment. I think currently as per IQVIA 36% coming from the chronic and I think maybe 15% is semi-chronic. But when I look at the chronic piece, 70% is the therapy, cardio, meta, anti-diabetic and then CNS. Do you see let's say 5, 10 years down the line there'll be significant shift in the proportion from different emerging therapies like derma, onco, maybe accounting for higher proportion? If yes, then how much that proportion would be?
- Aman Mehta:** Yes, so chronic therapies will remain to be the dominant, I would say, growth drivers for the IPM because of increasing prevalence in lifestyle diseases, particularly diabetes and cardiac. Given the kind of new launches that have now come on the market at affordable prices, that should also lead to further expansion in the diabetes segment, because more and more patients can get access to high quality drug, which was not the case before. So, that market should also see a pretty good volume expansion. And we believe that over the medium to long term, there is still a big under-penetration in the overall wellness space through VMN or skin care, which as disposable incomes increase, awareness increases. That segment should also increase from where it is right now. So, hard to give a proportion of where it would go. But these are the at least two, three areas that we are quite confident about that over the next five year horizon let's say they should increase in contribution.
- Moderator:** The next question is from the line of Karan Vora from Goldman Sachs. Please go ahead.
- Karan Vora:** Firstly, catering to US, what is the current capacity utilization across all your plants?
- Sudhir Menon :** I think the plants are fungible. All plants put together; the capacity utilization is roughly 54%.

- Karan Vora:** How do you see this going like in two years, three years?
- Sudhir Menon :** I think at this point in time, we feel the capacities are enough for the next three years. No major expansion to be planned.
- Karan Vora:** No, no, I meant can this go to 70%, 80s or like, how is in that way?
- Sudhir Menon :** I think the higher volumes have to come from generic businesses, right? This is essentially Germany and US. So, we'll have to see how these play out over a period of time. But yes, I mean, there's potential of bringing in large volume products out of Germany into the manufacturing capacities we have, but that will happen in a gradual way based on the cost competitiveness, right.
- Karan Vora:** Secondly, on Brazil, you mentioned that you entered Brazil because the market was broadly similar to India. So, are there any other geographies you think branded generic geographies like maybe Philippines or any other, which you think are interesting and you may have want to have a look at it, if you could name some of them, which you think are interesting?
- Sanjay Gupta:** So, Torrent is already present in several branded generic markets. So, generally, we don't comment upon them, because the sizes are much smaller. So, Philippines, roughly a business of about \$40 million, Mexico about \$15 million. So, those are BG markets of the future where we are investing, and we are continuing to grow. So, I would say there are at least seven to eight BG markets where we have a decent momentum.
- Karan Vora:** But no plans as of now to like make something meaningful out of any of those specific geographies?
- Sanjay Gupta:** Don't get me wrong. We have plans to make it meaningful, it's on the way. As soon as it becomes like substantial, we will start communicating on it. So, it's the work that is done, which is not put in the public eye yet, because it's still I would say quite modest in terms of overall size.
- Karan Vora:** So, you can't name one or two or Philippines and Mexico would be the one or two which you prefer?
- Sanjay Gupta:** We are pretty decent in Malaysia, we are good in Thailand, we are building in Kenya, so, the South Africa is another country, Russia, we are doing effort. So, all of these are more in the \$10 million range countries. So, I would say that we will give them prominence once they come across the \$50 million threshold.
- Karan Vora:** Last one is the FOREX hedging part like what is the current general company policy like what percentage of FOREX revenues are hedged and like for what period?
- Sudhir Menon :** So, we do 12 months forward cover every month on a rolling basis. So, at any point in time, we are covered for the next 12 months, 100%.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sanjay Gupta for his closing comments.

**Sanjay Gupta:** So, to conclude, I would just say that we expect our growth momentum to continue in the branded generic market, particularly in India and Brazil. This would be backed up by our new launches, market outperformance of current brands, field force expansion and acquisition of the acquired portfolio. Germany should continue on a modest positive trend. And with that, I would like to conclude and wish you all a Happy Diwali and a good break from next week. Thank you.

**Moderator:** Ladies and gentlemen, on behalf of Torrent Pharma Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.