"Torrent Pharmaceuticals Limited Q3 FY25 Earnings Conference Call"

January 24, 2025

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Moderator: Ladies and gentlemen, good day and welcome to Q3 FY25 Earnings Conference Call of Torrent Pharma.

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 "*" and "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhir Menon – Chief Financial Officer and Executive Director (Finance). Thank you, and over to you, sir.

Sudhir Menon: Thank you. Good evening and welcome to the 3rd Quarter Earnings Call for FY25.

We continue to see strong performance in our branded market, which accounted for 76% of the overall revenue this quarter. India business growth for Quarter 3 was 12%, and on a YTD December basis, the growth is 13%. This quarter has the cost of 200 reps, which we have added. And on a YTD December basis, we have added 500 reps. Brazil's constant currency growth for the quarter is 10% and on a YTD December basis, it's 12%. Brazil's currency depreciation impact for this quarter is around 17%..Germany grew at 4% this quarter and YTD December it's grown at 7%. We continue to win incremental tenders quarter-on-quarter, giving visibility on a high single digit growth for the future periods. Insulin revenues during the quarter is nil. .As guided in the previous quarter, the facility was released for manufacturing in December. And dispatches have commenced from January 2025. We should see some amount of spillovers in the next quarter revenues.

Coming to the key "Financial Highlights" for the quarter:

Revenues were Rs. 2,809 crores, up by 3%, and on YTD December basis it's 7%.

Operating EBITDA was Rs. 914 crores, up by 5%. And operating EBITDA margins have sustained at 32.5%. Insulin, which is a temporary impact this quarter, the revenue growth impact is 2%. BRL depreciation impact for the quarter on the topline is 2%. Normalizing for both, the underlying revenue growth for the quarter is 7% and operating EBITDA growth is 12%. While insulin impact along with some spillover over Quarter 3 and Quarter 4 will come back, we expect BRL depreciation in fact to continue for couple of quarters more. The board today has recommended an interim dividend of Rs. 26 per equity share or 520% of the face value. I will now hand over the call to Aman for India Business.

Aman Mehta: Thanks, Sudhir.

India revenue at Rs. 1581 crores registered a growth of 12%. As per the AIOCD secondary market data, IPM growth for the quarter was 8%.

Torrent's chronic business grew at 14%, versus the IPM growth of 10%, driven by outperformance in cardiac, diabetes, and gastro divisions.

Cardiac, which is our largest business contributor, has grown by 16% during the quarter versus a market growth of 10% due to the restructuring that was undertaken last year along with divisional expansion.

We continue to see positive traction in the Consumer Health business. We have expanded our coverage to 75,000 from 72,000 outlets in Q2. On a MAT basis, Torrent has 20 brands in the top 500 of the IPM, with 13 brands more than Rs. 100 crore sales as of MAT December 2024.

Field force strength at the end of the quarter stands at 6200 compared to 6000 in Q2. We continue to be encouraged by the performance in the recently expanded divisions in headquarters. This expansion will help provide a platform for new launches and also increase our territorial reach and help us gain market share in previously untapped areas. We expect the India business to continue outperforming the market growth.

Our focus during the year will be to continue improving our market share in focus therapies, new launches, improving field force productivity in the expanded divisions and continue to scale up on the Consumer Health business.

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

Sanjay Gupta: Thanks, Aman.

We will start with the branded generic market of Brazil. Based on internal sales, Q3 constant currency revenue was BRL 203 million, which is 10% year-on-year growth. As per IQVIA, market growth was at 12% for Q3. Secondary sales for Torrent as per IQVIA also grew at 14%. During Q3, growth was aided by 5 recent launches, specially two drugs, our ADHD drug lisdexamethaphine and our combination of rosuvastatin with ezetimibe. We have a rich pipeline of 20 molecules, filed and waiting for ANVISA approval.

Moving on to Germany, Our Germany business registered a constant currency revenue of 31 million euros, up by 4%. Higher growth in the tender segment was negated to some extent by setbacks in the OTC segment. During the quarter, we won incremental new tenders which will start delivering incremental sales from Q2 of next year. For the last 7 quarters, we have increased our overall value of wins in tenders.

In the US, we registered constant currency revenues of $32 million dollars, down by 3% on a flat quarter-to-quarter basis. Sequentially, the US business has been delivering stable revenues. During the quarter, the USFDA issued an EIR with the VAI classification for the manufacturing facility at Pithampur. I would like to conclude our opening commentary and open the floor up for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: My question is regarding insulin CMO business. So, you have started supplies again. And correct me if I am wrong, you earlier mentioned the normal run rate for this segment is Rs. 75 to Rs. 80 crore per quarter, right?

Sudhir Menon: That's right.

Damayanti Kerai: Okay, so in fourth quarter, do you expect full recovery to come in plus some spillover or it will go back to the normal level of sales?

Sudhir Menon: So, there would be spillover. So, over and above run rate of 75-80, there should be a significant spillover which you will see in Quarter 4.

Damayanti Kerai: And this business revenue is largely passed on to EBITDA, right? It's a service business.

Sudhir Menon: You are absolutely right, because what happens is that although the manufacturing is not happening, the manufacturing overheads continue to get incurred. So, if you see the field there, the manufacturing expenses are coming but the material margins are not coming.

Damayanti Kerai: My second question is on Brazil. So, in constant currency, you maintain good growth and outpacing the overall market growth. But in view of the currency depreciation, should we assume similar trends to continue the way we have seen in 2nd Quarter, 3rd Quarter? And just want to confirm, fourth quarter is generally the largest quarter for you in Brazil, right? So, whether that will play out this fiscal or because of currency, we might not see it?

Sanjay Gupta: So, we expect past trends to continue. So, you should expect a bigger fourth quarter as in all previous years. And there is a little bit of variation, right? Last quarter, the growth was 17%. This quarter is 10%. But IQVIA is a pretty good reflection at 14% of the underlying trend of the business. So, about the currency, you would not see an impact in this fiscal year. But as you know, in Brazil every year, the prices get revised by the government, which is implemented in April. So, I would be expecting a higher level of price increase allowed to us by the government, more in the close to the double-digit number as compared to middle or single digit in the last three, four years. So, let's see what happens, but I would expect a price compensation from the government starting in April.

Damayanti Kerai: Okay, and my last question is, if you can update us on your gross debt or net position as of December quarter?

Sudhir Menon: So, I think on the net debt to EBITDA basis, we should be at 0.51.

Moderator: Thank you. The next question is from the line of Sumit Gupta from Centrum Broking. Please go ahead.

Sumit Gupta: Can you provide us split of volume, price and New Launches for the Indian market?

Aman Mehta: Yes, breakup in AIOCD for the quarter is 12% growth for Torrent versus 8% of the market. That's broken up into 1.5% volume, 8% of price, and 2.5% of new products. The volume of the market is close to zero.

Sumit Gupta: Okay, and there could be 5% to 6% in price, I suppose?

Aman Mehta: Yes, I already mentioned 8% in price and market is 5% in price.

Sumit Gupta: And sir, how many MRs are there at the end of Q3?

Aman Mehta: Q3 is 6,200.

Moderator: Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Aman, sorry, I couldn't hear your comment on the cardiac weakness and what's driving that and how we're trying to address that. So, apologies, but if you could please repeat that for me?

Aman Mehta: Sorry, question was about?

Neha Manpuria: I think in the opening comments you mentioned about some weakness in the cardiac segment and some restructuring there, I couldn't quite catch it.

Aman Mehta: No, in fact, it was quite the opposite. What we mentioned was that our cardiac growth was 16% versus 10%. And that's due to the restructuring and expansion that we did last year.

Neha Manpuria: Is there any other segment in India where you are seeing growth probably not in line with our expectation and therefore requires more work? And where exactly are we adding this 500 MRs that we have increased in this last year?

Aman Mehta: Yes, I think compared to the trends from last year, the CNS market is a bit slow this year, maybe by 2%- 3%. So, our growth in CNS is higher than the market, but the market growth is definitely slower. But our overall performance is offset due to the stronger growth that we have seen in some of these other areas like gastro and cardiac and diabetes. These three have been really driving the growth for us this year. What was your other question?

Neha Manpuria: The MR addition, in which areas have we added the 500 MR?

Aman Mehta: Which areas? Essentially in these three areas that I mentioned where we are seeing this higher traction of growth, which are cardiac, diabetes, gastro. Some in some of the smaller areas where we are probably very low market share and just trying to get a higher share. It won't be too meaningful, but most of the additions are in these areas, which is essentially chronic and sub-chronic.

Neha Manpuria: Understood, okay, that's helpful. My second question, Sudhir, the BRL impact would probably have been there in the SG&A cost as well, right? Is that the reason why the SG&A cost has moderated quarter-on-quarter?

Sudhir Menon: You are right. One of the factors is BRL depreciation.

Neha Manpuria: Is there anything else? And how much of it was the decline is the BRL? And is there any other factor you'd like to highlight?

Sudhir Menon: Yes, OK. Let me give you some data points, actually. So, quarter one adjusted for that one-off of Rs. 20 crores which we had guided. The other expenses were 690. And quarter two, 729, which had some amount of one-off smaller one. So, if you average out quarter one and quarter two, we are talking about 705 average. Against which, we have done 673 this quarter. Of which, the BRL depreciation impact is roughly Rs. 10 to Rs. 11 crores. The second item is there is a savings in manufacturing cost which we have seen to the extent of Rs. 10 crores. And that's something which was anticipated, I would say, because in winter, the energy consumption goes down. Right? I mean, so that's the second factor. The third factor is there's some amount of efficiency which we got in freight expenses versus quarter two, quarter one. And that's to the tune of maybe Rs. 6 to Rs. 7 crores, I would say. And the rest, which is may be Rs. 6 to Rs. 7 crores is lower sales and marketing expenses, which were planned basically for Quarter 3.

Neha Manpuria: And this 10 to 11, given this currency continues where it is, will probably even continue in the next quarter at least, till the time currency reverse?

Sudhir Menon: I would think so.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: So, the US sales has been pretty stable. In fact, while we continue to get some approvals, but there has been not so meaningful pickup despite the regulatory clearance now in place now for quite some time. So, if you just throw some light in terms of the outlook for US business?

Sanjay Gupta: Outlook at that, right now it will be a slow pickup because the ANDAs that we have filed have become old, right? So, the new filings in the last few years have been low single digits. So, the launches that we have had have been low single digits and that offset the price decreases that we have been facing, but it doesn't lead to meaningful growth. So, I don't expect the picture to change in the short run, so it will take some time before the new filings are meaningful enough to have an impact.

Tushar Manudhane: Understood. And so what's the gross margin for this insulin business, approximately?

Sudhir Menon: Tushar, there is something that we have not shared earlier, but on an overall basis if you see the gross margin for the company has been 76 versus 76.6 in Quarter 2, right? So, there is some amount of impact both because of the BRL depreciation and probably insulin business.

Tushar Manudhane: Or interestingly, despite this business reducing, we have not seen the reduction in the gross margin, or that is getting sort of more than offset by the other segment. How do you think about it?

Sudhir Menon: Yes, if you see, the contribution of the branded businesses have gone up. So, it's almost at 76%. And that's aiding us to sustain the gross margin at 76%.

Tushar Manudhane: And lastly sir if you could share now, and that the traction has been very positive for Consumer Health business, so, if you could share what kind of revenues we are getting from this on a quarterly basis, in terms of price, volume, if at all you can further break down?

Aman Mehta: So, the contribution remains in the similar range as the earlier quarters. It's not a business that can have much variation in such a short period of time. I think somewhere between 10% to 15% of total India business is what I believe should be the broad 4 or 5 brands contribution in the consumer business. It's a question of how much are we investing right now and how much positive traction are we seeing in each individual brand. Some of them didn't show much positive traction, so we have slowed down the spending. Some brands are showing higher traction, so we're increasing spending. So, the net spend remains pretty much in the same level. And YTD basis, our consumer spending has been, I would say, higher than last year by some amount. And I think it should continue to increase next year as well.

Moderator: Thank you. The next question is from the line of Abdul Kader Puranwala from ICICI Securities. Please go ahead.

Abdul Kader Puranwala: Just first on Brazil revenues, in the past you talked about some constant currency growth of a mid-teen kind of range and then we had one or two product approvals also. So, in Brazil if you could help us understand what is the base business growth, excluding the launches what you have done in the recent past?

Sanjay Gupta: Generally, what we have guided is that Brazil is intrinsically a double-digit market, right? So, now what varies is the price increase. Volume increases are pretty low on the base increase, right? You know when I look at the India volume increases, it sounds kind of familiar to me from these markets also. Price increases are really dependent upon the government. So, traditionally it's been about 5% a year. And then new product launches, it varies. If you have had big launches, it has a bigger impact. Our general guidance is, take market at 10% and take Torrent at mid-teens level.

Abdul Kader Puranwala: And second is on the new tenders, what you expect to come in Q2 of next year. What should that translate in terms of growth for Germany? I mean, how should we look at Germany panning out for next year in terms of growth?

Sanjay Gupta: Correct, correct. So, I mean, in Germany, the tenders have a two-year shelf life. So, you actually have a pretty high degree of visibility on the tender business, and you've seen that I think last year, Quarter 3 we did 30, this year we did 32. So, yes, it's an uptick and we continue, but it should not be offset by other business which is OTC products. So, we're trying to improve that and hopefully it'll be cumulative growth from both these segments.

Abdul Kader Puranwala: Got it. And it's a final one on India and Brazil. So, I mean, considering the GLP products going off in both of these markets in March 26. So, I mean, what is the launch strategy? Are we going to be among the first wave of launches? Have we already started filing this product in those markets? Or will we wait for the market formation to happen and then decide the strategy?

Aman Mehta: Our plan is to be there on day one of launch in GLP-1. Cannot comment anything further at this stage, but that's certainly the endeavor. That's for India and for Brazil also similar.

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

Damayanti Kerai: Sir, my question is regarding India market. So, like, obviously, you continue to outweigh the market growth. But according to you, like why we are seeing this muted volume trend in market for like prolonged period of time? And how do you see this moving up in coming periods?

Aman Mehta: It's difficult to comment on anything specific at the moment. I think the general chronic market where our focus and investments have gone in, has not really seen that kind of slowdown. So, our kind of view on the other segments would not be fair to make at this stage because we don't understand it as much. But the segments we are present in, we are not really seeing that kind of an impact. YTD, if you see the reported growth of Torrent is 13% for the India business, 12% for this quarter. So, obviously without the volume growth for the market, YTD, we would not have been able to grow either. So, while our performance has been aided by new launch performance as well, generally in this segment, we have not seen that much of an impact on the market volumes.

Damayanti Kerai: Sure. And my last question is tax and interest expense during the quarter, 3rd Quarter, where I get less than the previous quarter, etc. So, are these are the new base or how should we look at tax rate and interest expense in the coming quarter?

Sudhir Menon: So, Damayanti, the interest will keep on going down quarter-on-quarter because repayments are happening right, so there's something which will continue and what we believe is probably next year or extending it by another two quarters next to next year, we should be net cash. So, you will see good amount of repayments happening over the next few quarters. So, interest expenses will keep on going down. As far as tax is concerned, from next year we are entering into the new tax regime, which would mean overall effective tax rate of 25% for us from now on.

Damayanti Kerai: Starting 26 right?

Sudhir Menon: FY26, yes.

Damayanti Kerai: Okay and just on this debt reduction part, so you will be cash positive most likely in second half of FY26 with more repayments happening?

Sudhir Menon: Not FY26, I said FY27 first half.. That's something which I am stretching right I mean so I think I should be there.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir, on the markets, the RoW markets, we have had a reasonably flat number of close to Rs. 300 crores for the last few quarters now. How should we think about the growth outlook for this piece?

Sanjay Gupta: Generally, you should think about an annualized growth in the high single digit, low double digit percentage, this is the standard trend, but it's a wide mix of markets with different trends. And we are trying to kind of prioritize a few of them to make them into a bigger opportunity. So, I think you will see some parts of these do well on a sustainable basis and then the growth to be more in the double digit range than some quarters where we are experiencing single digits. So, more to come here, but I think that's all I can disclose at this point in time.

Aman Mehta: And just to add, I think some countries have a much higher growth rate in double digits or teens as well. It's because it gets offset by occasional loss of tenders in some other region. So, that's why it ends up being in the high single digit, low double digit, but the endeavor is to create a more higher concentration on the higher growth markets over the next 2- 3 years.

Nitin Agarwal: And secondly, you touched upon this India and Brazil GLP-1 launches. But I mean, forget our, in terms of what, keeping aside what we intend to do in the market, what is your take on, I mean, how does a broader GLP-1 market really shape up in India and Brazil? How, upon market formation, do you see that being a seriously large opportunity for all the players involved? Or there could be some negative surprises here?

Aman Mehta: I think in India, historically the GLP-1 market has not been very big compared to some of the regulated markets. It's been much smaller, but we believe this upcoming wave will probably be on the higher side and larger off-take compared to the past historical brand launches or recent other GLP-1s. I think the acceptance probably will be on the higher side for the Indian population as well. So, probably a much bigger opportunity than the earlier GLP-1s, but how much, to size right now, it's very hard to say. We are quite optimistic on this space and we will be looking for a reasonably significant share in this as well.

Nitin Agarwal: What is the normalized level for this insulin business on an annualized basis?

Sudhir Menon: Revenue per quarter should be 75 to 80 is what I had earlier mentioned. Quarter 4 will be little higher because of the spillovers which are going to happen.

Nitin Agarwal: In the past we used to report close to Rs. 150 odd crores in this business. There is more to it than the insulin part in this business?

Sudhir Menon: It's around 300 on an annualized basis, Nitin.

Nitin Agarwal: Okay, so basically whatever that we report in others, we knock off on annualized this Rs. 300 crores from here, rest all is RoW sales?

Sudhir Menon: Yes.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal: My question is related to the broader picture on margins. In this quarter, we have seen the impact of different factors like insulin, currency, etc. So, it would be helpful if you can give some color on how to look at the overall margins in 4Q as well as the next year and some of these factors that impacted this quarter might get reversed. Thank you.

Sudhir Menon: Yes Vivek, the only thing I can say is that if BRL depreciation hadn't happened this quarter, the margin should have been higher than 32.5 which we have reported. And therefore I think from a Quarter 4 perspective, I still feel that 32.5 is the thing which we can maintain. And on a full year basis, that would mean that last year I think the operating EBITDA was 31.4 and this year we should close at around 32.5, I would say. So, 110 basis point improvement already done this year. So, I don't expect much beyond this because that's been our earlier guidance that every year our margin should go up between 50 to 100 basis point. I think next year, I think I still believe because of the branded segment having significant contribution to the overall revenues, the margin improvement, which is 50 to 100 basis point, should continue. I think this year US has been negative, but we expect some launches to happen next year as far as US is concerned. So, at least next year that negative contribution which is coming this year from the US should not be seen next year. So, all the more I believe the margin improvement of 50 to 100 basis point should continue next year in spite of some reinvestment happening in the branded business, I would say.

Vivek Agarwal: Understood, that is very clear. And on GLP-1 actually you have mentioned that you are confident of getting significant share in this space. So, what makes you confident? If you can just clarify on this. Thank you.

Aman Mehta: The endeavor is to match our current share in the overall diabetes and chronic space which has been increasing year-on-year. So, if you are able to get a market share of a similar level which has been seen in the recent new launches, particularly in diabetes, that itself is a significant share. So, the recent new launch performance gives us at least the comfort to have the ambition to have this share. But as I mentioned, it's still early to comment on the size and the exact opportunity that's ahead of us. But the plans are definitely getting in place.

Vivek Agarwal: So, is it fair to assume that the product is largely going to be prescribed by the cardiologists, diabetologists, etc. and the companies who have strong presence in the segment have a kind of right to win?

Aman Mehta: That would be the assumption, yes. It would be predominantly diabetes patients and those who consult, let's say consulting physicians who also see diabetes patients. So, it would be a similar segment to what we are covering right now.

Vivek Agarwal: Understood, And just last question again on GLP-1. In India, it will be required to conduct clinical trials, especially for the final submission. So, have you made that progress as far as the clinical trials, etc.? Thank you.

Aman Mehta: Yes , that's currently ongoing.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Sudhir, just first one on your comments on the whole net cash in the next couple of years. So, I want to understand what are the capital allocation priorities? We typically never reach there. We announced an acquisition before. So, just historically I am saying, but just want to understand what are some of the priority areas for us in terms of allocating this capital.

Sudhir Menon: Srini, that is something which is a work in progress, maybe I can give you some color, a couple of quarters down the line.

Shyam Srinivasan: Sudhir, but just in terms of areas, I am not asking for the transactions you are looking at, but I am just saying what are the areas? Is it India? Is there any rank order of the geographies or therapy areas? Is there any non-India geographies we're looking at? So, any broad directional color is what I am looking at.

Sanjay Gupta: So, our standard top priority always has been India, right? That's where we have the best track record and experience and the highest degree of comfort. Branded generic market, generally we have not been very active because the number of opportunities in our core markets have been few and far between. So, like Brazil for example is very rare to have a transaction in that market and Mexico has its own challenges. So, I would say the prioritization is India, Branded Generics and then of course we are open to some opportunities in developed markets of Germany and the US also, in particular specified areas. So, yes, that is the prioritization.

Shyam Srinivasan: And from a valuation perspective, I think that's been one of the key pushbacks from your end to making these transactions. I know maybe early days on in the overall market correction, but are you seeing assets or in your BD discussions, are you seeing transactions which are mark-to-market lower in terms of valuation and coming closer to where your payback periods could likely be?

Sudhir Menon: No, Shyam. Currently, we are not seeing any such opportunity coming in.

Moderator: Thank you. The next question is from the line of Madhav from Fidelity Group. Please go ahead.

Madhav: Just one question from my side on GLP-1 for the India market. What could be our sort of supply chain strategy like do we plan to make it in-house or will it be completely outsourced because at least what my basic understanding is that you need to get the API, then there is a formulation, then there's the assembly etc. So, that's quite a few steps. So, do we plan to completely outsource everything or would we do something in-house?

Aman Mehta: No, the injectable GLP-1 would be partnered. The oral GLP-1s would be in-house. That's the current plan.

Madhav: By partner, you mean it could be fully outsourced, the production, so we buy the finished unit and then we sell in the market, is that right?

Aman Mehta: That's right, yes.

Madhav: So, just one follow up, at least again very basic understanding of the space is that generally for injectables it's better to have the production in-house because only then the margins are good. Otherwise, a lot of the margin is captured by the manufacturing partner. Is that the right understanding for injectable GLP-1s as well or not?

Aman Mehta: It's too speculative right now, I feel, but it's definitely not in that sense, it has to be remunerated for a partner like us as well, otherwise we would not be really able to spend on the investment in market shaping. So, in that sense, it may not be similar to some of the past examples. But again, it's too early to comment on this right now.

Moderator: Thank you. The next question is from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal: Again, this is related to GLP-1. As the market has not formed yet, and if let's say, first commercialization, first market formation, if there is a kind of negative surprise, right? So, what do you think basically, whether it's going to be the demand side challenges or do you think it can be a supply side challenge?

Aman Mehta: Probably more on the demand side because it's uncertain right now what exactly the off take will be like. Supply side, over time, at least our current view is that there may not be too much of a constraint. We believe there are a lot of investments going into this space within India and globally as well. So, maybe initially potentially there may be but over a one year-two-year period that should not really be a constraint is what we believe. What the actual demand in off take looks like that is obviously still yet to be seen.

Vivek Agarwal: So, in the initial 1-2 years, do you think that there may still be some kind of supply chain constraints?

Aman Mehta: Less probability but we can't rule it out.

Vivek Agarwal: And just one more question, you have mentioned that you are making some kind of investments in the market formation. So, can you just clarify what kind of investments you are making in market formation in the sales force, promotion or what? Thank you.

Aman Mehta: No, as of now, it's again, we can't comment specifically on this, but if anyone like Torrent, for example is to launch a product which is not there in the Indian market, it has to be more of a information dissemination and education exercise which has to take place which whoever would be the first few players to launch would be undertaking that activity. So, that's what's being referred to.

Vivek Agarwal: Thank you. And just a related question on Brazil. So, compared to India, how we think market formation in that particular market?

Sanjay Gupta: So, Brazil, what has happened is that Novo has been supply constrained massively. So, while the market is very big, I mean, I think I don't have the data on the current size of the market. It's hundreds of millions of dollars. But it's hard to estimate the size because the supply has been very tight. So, I can't really comment, but we would expect the volume to increase substantially because there has been demand and supply constraint in place since quite a few years.

Vivek Agarwal: And so last question, are you more optimistic on India or on Brazil for this particular product?

Sanjay Gupta: I am optimistic on Brazil and Aman is optimistic on India.

Moderator: Thank you. The next question is from the line of Anubhav Agarwal from UBS. Please go ahead.

Anubhav Agarwal: So, I am just continuing the discussion on GLP only. So, one question on India market. So, which class of drugs under diabetes would this largely displace? Will it be Gliptin, which will get impacted?

Aman Mehta: It all depends on the pricing. What price point do the GLP-1s come in? But either way, it's going to be a large gap in the current price of therapy for, let's say, gliptins or GLP-2s and the GLP-1s that may come in the future. So, it should not really be a significant dent on the existing OAD market because the price cap will just be too large.

Anubhav Agarwal: Actually, that's what my second question was, because most of the gliptins, even if you take the generic Sitagliptin today, the tablet costs about 10 bucks a day, monthly cost would be about 150, let's say twice a day and unlikely that the injection of GLP-1 will be available at less than Rs. 500. So, that's the question that, was that you were referring to that the demand issue that the price difference will be 5x of the other option?

Aman Mehta: I don't know about 5x but certainly there will be a gap between the existing products on the market, the tablets especially, and the injections, for example, in GLP-1. So, that obviously reduces your addressable market overall, though it's still a large-sized market when you look at diabetes plus obesity put together. So, it's not that it completely rules out a segment. There's enough new patients that also can be added. And lower volumes of patients with a higher price means the market would still be large. That's assuming the off take is of a significant level, which is again still too early to kind of give any clear view on at this stage.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from WhiteOak Capital. Please go ahead.

Dheeresh Pathak: The insulin business gross margins are at company average, right?

Sudhir Menon: No, it would be lower than the overall gross margins at the company level.

Dheeresh Pathak: 5% lower, 10% lower, the range would help.

Sudhir Menon: I can't comment on that. But it's definitely lower than the overall average.

Dheeresh Pathak: In the Brazil business, what is our net exposure? We will have costs also in local currency. So, can you share like a net exposure and how you hedge it?

Sudhir Menon: So, I think as a policy, what we do is we hedge for the next 12 months. So, it's basically a cash flow hedge, right? And therefore, the further depreciation happening, there's no impact on the cash, I would say. So, it's basically the translation of the foreign currency financials to INR is where you see that impact coming in. But because of the hedging, theirs is a minor cost I would say because of the hedging cost versus hedging premium differences, I would say. So, it's not impacting much on a cash basis I would say.

Dheeresh Pathak: So, just to understand what percentage of the revenue that you show in Brazil would have cost in local currency, is it like 40%, 50% of that revenue would have local cost?

Sudhir Menon: No, so I think as far as Brazil COGS is concerned, that's entirely getting manufactured from India. So, that when you consolidate accounts, it actually falls down to your INR cost, as far as COGS is concerned. But since it's a marketing company, the middle line which is there is largely in local currency.

Dheeresh Pathak: That would be roughly 40% at least of the revenue?

Sudhir Menon: What I would tell you is maybe if you can go to our website and look at the Brazil financials of FY24, you will get an idea as to what is the extent of local currency expenses which are happening.

Dheeresh Pathak: And when you are reporting, you are reporting at the spot exchange rate and the hedge gain or loss you are showing in other expense is that the accounting is working?

Sudhir Menon: So, different items are converted by using different exchange rates. For example, as far as the income statement is concerned, it's an average rate which is used for converting the balance sheet, most of the items are converted at the closing rate. And something like share capital is converted at the original cost base.

Dheeresh Pathak: And the hedge gain would have shown in other expense, right? In other income or other expense? How do you show this? So, what I am asking is, you book at spot or you book at the hedge rate when you show the revenue?

Sudhir Menon: No, hedge gains come by way of other income or other expenses. But Quarter 3, we have a forex gain, overall forex gain, not from BRL, but from other currencies, which are part of other income.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from Dam Capital. Please go ahead.

Nitin Agarwal: Just a quick one on Brazil. Where are you on your approval process for Semaglutide? By when do you think your approval will come through?

Sanjay Gupta: So, we expect to be there when the market opens up, but I won't be able to share further details with you.

Nitin Agarwal: But you expect to be, and this is what the market opening should be happening with the patent expiry in Jan, right? Or do you see a different time for that?

Sanjay Gupta: 2026.

Nitin Agarwal: Jan 26?

Sudhir Menon: March.

Nitin Agarwal: Around the time basically, basically first calendar quarter of 26?

Sanjay Gupta: Correct.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sanjay Gupta, Executive Director of International Business for closing comments.

Sanjay Gupta: Thank you everyone for your interest in Torrent Pharma. Wish you a good weekend. Thank you, bye bye.

Moderator: Thank you. On behalf of Torrent Pharma that concludes this conference. Thank you for joining us, and you may now disconnect your lines.