



“Torrent Pharmaceuticals Limited Q4 FY'12 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'12 Earnings conference call for Torrent Pharma hosted by Edelweiss Securities Limited. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone. I would now like to hand the conference over to Mr. Manoj Garg. Thank you and over to you sir.

Manoj Garg: Thank you. Good morning and a warm welcome to all of you. We, at Edelweiss Securities, are pleased to host this call and welcome you all to the briefing of Q4 FY12 results of Torrent Pharma Limited. On behalf of all the participants and Edelweiss, we welcome Torrent Management team to discuss the results and the outlook of the company going forward. I would like to thank the management of Torrent Pharma for taking time out for this call. Now, I would hand over the call to Mr. Srinivasan. Over to you, sir, please.

R. Srinivasan: Thank you, Manoj. Good morning, everybody. This is Srinivasan. Welcome to our post results teleconference for the fourth quarter of 2011-2012. We have here with us, Mr. H. Balakrishna – Executive Director, In-Charge of International Business; Mr. Rishi ShahRishi Shah – Vice President, Finance; and Mr. Rishi Shah – Manager, Finance, In-Charge of Investor Relations. Let me now take you through the highlights of the operations for the quarter.

During the quarter, total revenues grew by 32%, posting revenues of Rs. 6743 million. India Formulations Business grew by 11%, posting revenues of Rs. 1986 million compared to Rs. 1795 million. International operations grew by 47% during the quarter. Adjusting for one-time chargeback for the previous year, the US business grew at 53% posting revenues of Rs. 630 million. In Brazil, adjusting for spillover sales in the previous year, Brazil grew at 28%, posting revenues of Rs. 1251 million, and Heumann registering growth of 4%, posting revenues of Rs. 848 million. Contract manufacturing operations grew by 25%, posting revenues of Rs. 799 million. It includes revenues of Rs. 115 million received from outsourcing deals down with multinational companies. During the quarter the company has effected a change in method of estimating the provisioning requirements of sales return. This has resulted into one-time charge. As per trade practice, the company accept sales returns which are primarily on account of shelf life expiries. The company made an estimate of future sales returns based on the detailed analysis of past trends and has provided for the same as the one-time charge, adjusting for the above which is being shown as an exceptional item. Adjusting for exceptional item, the net profit for the company stood at Rs. 522 million compared to Rs. 428 million, registering a growth of 22% for the quarter.

For FY2011-12 period, total revenues grew by 23%, posting revenues of Rs. 26959 million. India Formulations business grew by 9% posting revenues of Rs. 9091 million. And international operations grew by 32%. And on constant currency terms, it grew by 18% during FY11-12. On a consolidated basis, net profit after tax and minority interest and adjusting for exceptional items stood at 3362 million compared to 2702 million registering a growth of 25%.

The company declared a final dividend of Rs. 2.5 per share, taking the total dividend to 8.5 per share. This is in line with the company's dividend distribution policy of distributing 30% of the consolidated profits. Thank you very much and we will now start the Q&A session. Over to the coordinator.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Ashish Rathi from Equirus Securities. Please go ahead.

Bhavin Shah: This is Bhavin Shah. The question I wanted to ask was the following that assuming the Rupee stays at 54, plus, 54.50 so on, how much margin expansion can we assume in FY13? I know you have some hedges. So will there be additional benefit in FY14?

R. Srinivasan We are hedged up to November. In fact, we have hedges of around covering 70% of the next year's revenue, we have covered at 53.36 realization. So, the rest of it will come at relevant quarters which are going to be realized, but roughly 70% of it is hedged at 53.36.

Bhavin Shah: So, on that basis, what sort of margin expansion can we assume for FY13?

R. Srinivasan: Around 1.8%.

Bhavin Shah: So almost 2%?

R. Srinivasan: Yeah.

Moderator: Thank you. The next question is from the line of Bhavin Shah from Dolat Capital. Please go ahead.

Bhavin Shah: Just a couple of things. In domestic formulations, what are the few strategies that you have implemented that would possibly change the growth curve in the years to come and is there something is that you are planning to do to get going in the market aggressively?

R. Srinivasan: The domestic business as we discussed earlier as well, the main issue is with the Acute Therapy business, that is the reason we see that there is a low growth this year and going forward, we have taken some actions to declutter the portfolio and bring in better focus to key molecules by forming a new division and distributing the products for a better focus. So, I think this should start yielding results soon.

Bhavin Shah: Should we wait for the second half to reflect these strategies or should we anticipate FY13 to overall see a better number?

R. Srinivasan: I think overall the growth numbers would be better because anyway we had a low base last year. So, the growth number should be higher than what we see right now.

Bhavin Shah: Would you be consolidating your sales force at the moment or you plan to add a few more people?

- R. Srinivasan:** Right now, there are no plans for adding any more people.
- Bhavin Shah:** It stands at about 3000-odd right now?
- R. Srinivasan:** 3700.
- Bhavin Shah:** And in US, in terms of filings, if you could give us some guidance, what number of filings that you anticipate next year and any product launches that have happened during the quarter?
- H. Balakrishna:** In all, we have total 37 ANDAs which are approved till date. Out of them we are actually marketing 22 ANDAs and 10 are under patent as of now. So, once they go off-patent we will be launching those products. We have total filings of 27 ANDAs pending for approval.
- Bhavin Shah:** In terms of filings next year do we see an uptick there?
- H. Balakrishna:** No, it would remain more or less same which we have seen this year.
- Moderator:** Thank you. The next question is from the line of Bino Pathiparampil from IIFL. Please go ahead.
- Bino Pathiparampil:** Is there any FOREX gain or loss during this quarter?
- P. C. Gandhi:** There is a FOREX loss of around 3 crores booked in the quarter.
- Bino Pathiparampil:** Which line item does it go?
- P. C. Gandhi:** Other expenses.
- Bino Pathiparampil:** And can you give some guidance on the tax rate and Capex for next year?
- R. Srinivasan:** Capex will be largely about 230 to 250 crores for the next year. Tax rate would be around 22%. Actually, we had earlier given guidance that there would be a margin expansion due to lower tax rates, but at the current union budget, there were some changes due to which the tax rates are likely to be around 22% during the next year.
- Bino Pathiparampil:** One final question, compared to last few quarters, this quarter's other expenses, even adjusted for FOREX as well as there are some expenses that jumped up quite a bit both in absolute terms as well as in revenue. So, is there any reason for that and is that likely to continue?
- R. Srinivasan:** There have been some one-off items. One is as you know the USFDA has imposed some additional ANDA registration expenses which were not there earlier. So, that is a proposal to levy on a per ANDA basis on all the filings which are pending. So, we have provided for all these expenses during the current quarter so that is causing one significant spend. And in terms of manufacturing expenses, there will be a slight expansion due to the Sikkim plant which was commissioned during the beginning of this year. So that would be one. And the other thing is,

overall, we had discussed that, there is an increase in marketing spend in domestic segment. One is on account of expansion field force to create a new division for the Acute Therapy and we have had some small increase in the marketing spend as well. So, broadly, these are the reasons which have resulted into some increase in the expenses side. This resulted into some margin erosion.

Bino Pathiparampil: If I heard right, the USFDA wants to apply the service agreement piece to all the existing ANDA as well?

H. Balakrishna: No, this would be levied on all the ANDAs which are pending approval plus the new ANDAs, also there would be a maintenance fee for each of the sites is a proposal which is likely to be implemented from October 1.

Bino Pathiparampil: So what is the provision that you have made for existing pending applications?

H. Balakrishna: Based on the indicated fees that they have put up in their website.

Bino Pathiparampil: Can we get that rough number so that we can locate that in our calculations?

R. Srinivasan: Roughly, you can say that about 1% margin drop due to this.

Moderator: Thank you. The next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma: Just wanted a clarity on the change in methodology why we have adopted from actual to accrual. And is this a one-off thing or will it be a regular practice and how would it impact our profits going ahead, how much inventory has been in the channel as yet?

R. Srinivasan: First of all, let me clarify, this is only a one-off item, it is not going to repeat and whatever sales returns we have been accounting year-on-year every year will continue to get accounted as we go about, roughly approximately that number. So, what we did during the quarter was to assess what are the expected future returns on the past sales till date. Whatever past sales which we effected, how much of it is likely to come back on account of expiry. We had our own estimation with what is the stock in the market and how much is likely to come back and all those. So, based on that we took up one-time provisioning. This provisioning most of the competitor companies which we have analyzed they do not seem to be doing but we feel that it should be done as per accounting requirements and we have done it on a global basis.

Rahul Sharma: For future you will be adjusting numbers even corresponding quarter previous year as well.

R. Srinivasan: If you talk about the '11-12 results I made an estimate of what are the sales we can expect for '11-12 in the future, right. So, that is a static number. If you see the amount of provisioning for '11-12 it roughly matches with the actual sales return which is what accounted in this year. So, that way for '11-12 alone if you take there is hardly any impact to the P&L. Likewise for '12-13 when you go, '12-13 actual returns will be roughly equal to the amount of provisioning

which we will create for '12-13. So, the net effect is the P&L will not be significant and so, that is why I am saying whatever we have taken to the exceptional item this year there is a one-off item which will not repeat.

- Rahul Sharma:** When will domestic formulations start showing reasonable traction in line with the market?
- R. Srinivasan:** We have taken some corrective actions in terms of creating a new division, particularly, the issue is only with respect to the Acute Therapy, right. The other therapies are doing well. In fact, are in line with the market growth. Like cardiology and CNS, are in line with the market growth. So, the issue is only with respect to the Acute Therapy where we have taken some corrective actions. I think we should start seeing some business in the coming year.
- Rahul Sharma:** Looking at the standalone and the consolidated numbers, the main impact is coming in the consolidated entity. So, is it right to assess that it is only on account of higher expenses, on account of what you had said previously, the marketing expenses plus ANDA expenses which have taken the hit for the quarter?
- R. Srinivasan:** You are saying that the expenses in consolidated are more than standalone?
- Rahul Sharma:** Yeah, it appears so.
- R. Srinivasan:** No, it depends upon what you are looking at. First of all, standalone does not have the results of Sikkim operations. Sikkim operations is predominantly in the domestic market and each of the subsidiaries marketing expenses; each of the subsidiaries operations. So, there would be some one-off items as well in the subsidiaries which have resulted into some increase in numbers.
- Rahul Sharma:** So, is basically the subsidiaries which are having an impact more than the domestic, am I right to say so?
- R. Srinivasan:** No, it may not be. Some of the subsidiaries do have some exceptional items. Like, for instance, we revalued the pension liability employment, which resulted in because actuarial valuation changes. There was some one-off items during the third quarter but the other one-off items which we discussed in the earlier part of the call are all in the standalone.
- Moderator:** Thank you. The next question is from the line of Ritesh Poladia from RBS. Please go ahead.
- Ritesh Poladia:** My question again pertains to the sales return policy. In the notes you have mentioned that it is a future requirement for the sales affected till March 2012. I just wanted to know the 61 crores on the standalone, is it covering the provision for one-year and would it be incurring on a Year-on-Year basis, on quarterly wise?
- R. Srinivasan:** It is a one-off item and it is a sum of a huge debit this year, it is not going to repeat as we go forward.



- Ritesh Poladia:** What kind of period is being covered? Like for next two years, would this be a thing or it is only for '12-13?
- R. Srinivasan:** No, it is all for the sales effected till '11-12. We estimated how much of expiry returns could come in the future. So, this would be pertaining to '11-12, '09-10 and all those years in the back. So, for all those, we are providing the future sales return. But in actuality it will come over the years, next year we will have something, next to next year. So overall, it will even out, that is what I was explaining earlier on the call. So, this is the kind of an exceptional item debited in the current quarter which will not repeat in the future.
- Ritesh Poladia:** Secondly, of your two out licensing deals, one with AstraZeneca for those 17-odd products which was extended to furthermore products and another was for one of the MNC you have done the deal?
- R. Srinivasan:** This would really depend on how the approval process goes through for those companies. They have submitted the dossiers for approvals. So as and when the approvals come then the supplies will start.
- Ritesh Poladia:** There is one notes to accounts mentioned, your additional investment of about 17.5 crores in GPC Cayman investor. So, what is this investment?
- R. Srinivasan:** We have made an investment in GPC Cayman earlier on and this is an additional investment as per contractual obligations.
- Ritesh Poladia:** What would be the pertaining to this hence, which are those contractual obligations if you can say?
- R. Srinivasan:** No, we made initial investment of about \$4 million earlier on with the contractual commitment to provide additional funds subsequently as and when required. So, this is in continuation of that.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from GSAM. Please go ahead.
- Dheeresh Pathak:** Can I get the breakup of other operating income for FY12, how much was FOREX gain, how much was dossier sales, export benefits and others?
- Rishi Shah:** Can we do it after? After the concall I will give you the details.
- Dheeresh Pathak:** Okay. On domestic growth, can you just help us understand, for example, FY11 annual report talked about chronic being almost 60% of the mix, chronic being CNF, CGSN, antibiotic. 60% of the total domestic revenue being from these three categories and even if we take 15% market growth rate for these that should also alone contribute to about 9% growth in the domestic. So, does it imply that the Acute Therapy has degrown for Torrent?

- R. Srinivasan:** You are talking about market growth?
- Dheeresh Pathak:** No, I am saying for the company, FY12 growth is 9%. Our chronic mix in the total domestic portfolio would be about 60%. If you take 15% market growth on 50% of the business, that alone will give 9% growth. So, what does imply for the acute portfolio of the company? Has it remains flat, has de-grown or what is the growth there? If you can comment.
- Rishi Shah:** If you take the market growth numbers for the year per se, my covered market has grown at around 18% whereas I have grown at 15%. Now, if you split that into chronic and acute my acute has grown at 12%. This is as per ORG numbers. Whereas the covered market has grown at 16%. My CV and CNF are roughly in line with what market is growing. So, the gap in the growth which is 18% and 15% is mainly coming out of the acute therapies.
- Dheeresh Pathak:** But not just the ORG numbers, for the company as a whole, can you give us what is the growth that you are seeing?
- Rishi Shah:** I can share it with you after the call.
- Dheeresh Pathak:** Okay. Lastly was on GPC Cayman investors, what is the business of the company if you can share?
- R. Srinivasan:** The business of the company is to sell medicines in the US market and they are creating a manufacturing platform in China.
- Dheeresh Pathak:** What stake do we have in the company?
- R. Srinivasan:** We have small stake of maybe about 6% or so.
- Dheeresh Pathak:** After about 40 crores of investment?
- R. Srinivasan:** Yeah, correct.
- Dheeresh Pathak:** And one just last question is, in terms of margins, you mentioned a few reasons why margins were lower in the fourth quarter. 1% being because of the provision you made for FDA. But even after existing for all, the margins will come to be about 14% whereas for the full year we get about 18, 19% margin. So, can you just talk about what impact pension liabilities? You talked about that, you talked about Sikkim plant being commissioned. How much impact that these two have and does that contribute for the 4 to 5% margin dip in the fourth quarter?
- R. Srinivasan:** If you want the numbers on a broad basis, I can tell you that Sikkim overhead would constitute about 1% margin drop. And then we had this DEPB going away, that we have not discussed earlier on. So, that has resulted into 1% margin drop. Pension liability, actuarial valuation, that is about 0.7% margin drop that on overall basis.
- Dheeresh Pathak:** And is that pension plan fully funded?

- R. Srinivasan:** The pension plan, Heumann is the only company has such a large liability about EUR 6 million pension liability employments and the current one-off item has come because of change in the interest rates used for discounting the liability, actuarial liability. That is the reason and it is unaccounted.
- Moderator:** Thank you. The next question is from the line of Monica Joshi from Avendus Securities. Please go ahead.
- Monica Joshi:** Just talking about the one-time provision again, now if we understand correctly, these are sales till 31st March and where you expect possibility of shelf life expiry and that is why you made a provision, is that correct?
- R. Srinivasan:** Yeah.
- Monica Joshi:** Now, hypothetically, had we not made this accounting policy change, you would have gone ahead and netted it off against your sales as and when the stock comes to your doorstep.
- R. Srinivasan:** Yes.
- Monica Joshi:** Now, you will do some sales in FY13 and similarly you will do in '14. So, let us say we are in October of FY14 and you book sales of let us say 100 crores and you are expecting 5 crores to be sales returns, how do you account for that, will you have an exceptional item again or you will wait till the stock actually comes back in '15 or '16 and then net off your sales?
- R. Srinivasan:** No, it is not like that. Actually, what we will do going forward in '12-13, we will make an estimate of the sales return for '12-13 and reduces from the top line which is what we have done for the current year also. We estimate how much of sales return will come in the next three, four years for '11-12 and we reduce it from the top line. And this amount which we reduce it from the top line roughly equals to the typical returns which we receive. You get what I mean?
- Monica Joshi:** No actually, I do not.
- R. Srinivasan:** Current year, let us say that I have sales return of 20 crores, I do not have the exact numbers I am just saying roughly. So, I would have already reduced the sales by 20 crores. Because the change in method of accounting, what I will do is I will reverse this 20 crores and take it to the provision account and then make a fresh estimate of how much is estimated sales return for the future which is also roughly around 20 or 21 crores. So, I will reduce it from the top-line. So, there is an addition and deduction as far as the current year is concerned. But in the future years, as and when we make a provision we will reduce the sales returns from the top line and whatever sales returns which actually come will go out of the provisioning.
- Monica Joshi:** So you will not net it off against sales, anymore?
- R. Srinivasan:** We will not net it off against sales

- Monica Joshi:** Sales, your top-line anymore, what is it?
- R. Srinivasan:** No, we will not net it off against top-line anymore. We will make an estimate of the provisioning, which is what actually is going to do go down from the top-line.
- Monica Joshi:** So that estimate on provisioning, you will keep adjusting the 65 crores, so that will keep increasing and decreasing based on what is your then estimated future sales returns, is that right?
- R. Srinivasan:** Yeah, correct, it will be based on the past historical trends, and also it will have an adjustment towards, if suppose we have made an excess or short provisioning, the difference between excess and short provisioning compared to the actual returns also will go and go to reduce the top-line.
- Monica Joshi:** What prompted you to really change? Because I do not think this is a policy which has been followed by any other company. So, any specific reason why you chose to make a provision for the future return?
- R. Srinivasan:** As per the recent ICAI expert advisory committee's opinion, you are supposed to account this which no one is doing. If you see IFRS accounts of various companies, IFRS wordings of the accounting standard are very explicit about this that you have to account for all the future sales returns as well because having accounted for sales revenue now, which would also account for the return which are expected out of this. So, that is in line with that we have accounted for this. How the others are not doing it we cannot comment on it.
- Monica Joshi:** Sure. Any particular market these refer to is predominantly focused on India or do they consider any returns from US or Germany?
- R. Srinivasan:** The large part of the returns is from India. We have also provided for returns in Heumann and US but these are not very large as compared to India.
- Monica Joshi:** Lastly, you mentioned 115 million as outsourcing payment from MNCs in your introductory remarks. I was wondering what this refers to, is this the AstraZeneca deal or the deal with another MNC or any other specific items?
- Rishi Shah:** No, it is a total of all the dossier income which we have received from the deals which we have done with the MNCs, including Europe.
- Monica Joshi:** And this is in Q4, is it?
- Rishi Shah:** Correct.
- Monica Joshi:** What was the whole year number similarly? This will fall under other operating income, right?
- Rishi Shah:** Yes. Around 48 crores.



Moderator: Thank you. The next question is from the line of Alok Dalal from B&K Paribas. Please go ahead.

Alok Dalal: Just on the licensing income, do you think the same quantum will continue in FY13 as well?

R. Srinivasan: No, FY13 will not see such large amount of revenues. Some part of it will repeat but not such a large amount.

Alok Dalal: And what is the capacity utilization at Sikkim at the moment?

R. Srinivasan: Around 70%.

Alok Dalal: And so that will be a breakeven there, right?

R. Srinivasan: What do you mean by breakeven?

Alok Dalal: The facility would breakeven at a certain percentage and that percentage would be about 70%, correct?

R. Srinivasan: No, the breakeven will be much lower. In terms of profitability if you are talking, we made profits in Sikkim in this year

Alok Dalal: And how many launches are you looking in US for this year?

H. Balakrishna: Around 5 to 6.

Alok Dalal: And you are on track for a break even?

R. Srinivasan: Yeah, we have already kind of broken even now, slightly earlier than what we originally forecasted. So, going forward we will make profits.

Alok Dalal: And any color on the Brazilian market for FY13?

H. Balakrishna: We will continue to have the growth that we have been seeing in the past.

Alok Dalal: That is about 15%?

H. Balakrishna: Yeah, you can take it around that.

Alok Dalal: And in Brazil, has there been some yield on product approvals from the Brazilian authorities or the situation is the same still?

H. Balakrishna: No, actually the situation has worsened.

Alok Dalal: So your growth will largely come from products which have already been approved this year?



H. Balakrishna: Not only products that have been approved this year but also the products which we had launched earlier, all those molecules are on a growth phase. So, therefore we should not have any problems because of that.

Moderator: Thank you. The next question is from the line of Meeta Shetty from Asian Market Securities. Please go ahead.

Meeta Shetty: Just wanted to know Brazil do we have any launches in this quarter, last March-ended quarter?

H. Balakrishna: We had one launch.

Meeta Shetty: So, we should be having about 30 products in the market by now?

H. Balakrishna: Yeah, we do.

Meeta Shetty: And what are the number of launches we are looking at going ahead?

H. Balakrishna: This year there should be another 3 or 4.

Meeta Shetty: Given the fact that you said that the things are worsening there, do we still think we should be able to do that?

H. Balakrishna: No, I am referring to products for which we have the approvals and we have to launch.

Meeta Shetty: And How many are there approved, totally as of now?

H. Balakrishna: Three more we have approvals and we will be launching in either Q1 or Q2.

Meeta Shetty: And second thing on the hedges if you could just quantify the amount that we have hedged for the dollars?

Rishi shah: We have hedged 70% of our '12-13 revenues.

Meeta Shetty: Yeah, but if you can quantify that?

Rishi Shah: It would be roughly around \$190 million.

Meeta Shetty: That is on the operational front. And on the loan book?

Rishi Shah: Loan more or less not fully hedged, only 10% of the loans would be open.

Meeta Shetty: So if you can quantify the loan book hedges as well for me?

Rishi Shah: The open part will be around \$6 million to \$7 million.

- Moderator:** Thank you. The next question is from the line of Krishna Kiran from ICICI Direct. Please go ahead.
- Krishna Kiran:** Coming to EBITDA margin again, how you are looking at, maybe in the first half or the second half, how we are going to improve at the EBITDA level? I understand this quarter a couple of at least 3% because of one-offs.
- R. Srinivasan:** As we say, one-off items are not likely to repeat, because that would certainly cause some margin expansion. Like was the DEPB loss is a permanent loss which we are not going to recover, right. So to that extent, there would be and as far as the other one-off, like say, Sikkim overheads, where we have loss this year, is not likely to continue for the next year.
- Krishna Kiran:** So, we are in the path of maybe coming back to 18, 19% levels we can see maybe in FY13?
- R. Srinivasan:** There was some marginal loss on account of domestic as well because we added some field force....
- Krishna Kiran:** How much that would be?
- R. Srinivasan:** This is what we discussed. I think roughly about 1% margin loss on account of incremental spends and incremental field force, the recovery of which will be dependent on how soon the field force becomes productive.
- Krishna Kiran:** And looking at R&D cost, how much we have spent during the quarter and how we are going to spend in FY13?
- Rishi Shah:** R&D cost more or less remains at 5% of consolidated sales.
- Krishna Kiran:** During the quarter also it was 5%?
- Rishi Shah:** Yes.
- Krishna Kiran:** And coming to debt, how much gross debt we have?
- Rishi Shah:** We have around 500 crores of gross debt.
- Krishna Kiran:** So, we are net cash?
- Rishi Shah:** Yeah.
- Krishna Kiran:** And during the quarter we have seen employee costs around 144 crores, as a percentage-to-sales it is fine, but looking at QoQ or YoY there is a steep increase in this, this is mainly because of new addition or some more allowances?
- Rishi Shah:** Employee cost is 144 crores.

- Krishna Kiran:** Compared to 113 Q4 FY11 and 120 Q3FY12.
- Rishi Shah:** So if you are comparing the Q4 last year there is an increase in field force in domestic. So there is an increase in field force because of that.
- Krishna Kiran:** But QoQ also there is a huge jump? That is the reason why I asked. That means have we added many people in the Q4?
- Rishi Shah:** No, we have not added anything, but the provisions and all those things would go into employee cost also. It would be bifurcated between different line items.
- R. Srinivasan:** The Q4 numbers are skewed for most of these years because we do all the actuarial valuations in Q4. So, the result of the actuarial valuation sits between quarter comparisons are skewed to that extent.
- Krishna Kiran:** And lastly, a small request from our end. When you are sending results through mailer, if possible, you can also send us export ka break-ups that would really help us. Brazil or the break-up of exports also, that really help us.
- R. Srinivasan:** Breakup for territory wise basis is already given in the investor presentation is there in the website.
- Rishi Shah:** We will uploading the presentation after this call. But we will make it a point that we upload the presentation before the call so that you will get the breakup of all the territory.
- Krishna Kiran:** That will be great, helpful for us.
- Moderator:** Thank you. The next question is from the line of Balasubramanian Prabhala from PCS Securities. Please go ahead.
- B. Prabhala:** I think you have just answered it but I would be glad if you can share the geographical as well as segmental revenue breakups which would really help us. I think the previous gentleman also asked the same thing.
- Rishi Shah:** We will do that. I will share that with you.
- R. Srinivasan:** We will be uploading it in the website immediately after the call so you get it from that.
- Moderator:** Thank you. The next question is from the line of Ashi Anand from Kotak. Please go ahead.
- Ashi Anand:** The first question I had was just wanted to understand, in Brazil, the approvals have slowed down even further. Could you just take us through what really are the issues there and what exactly the status on ground?

- H. Balakrishna:** The delay in approval essentially because of bureaucracy, nothing else. The organization there is not well-equipped, so they are still trying to build the organization, so that is what is causing the delay and it is across all the companies, it is not that it is targeted towards certain companies or anything like that, it is a general approval delays which we are seeing even in the US, we are seeing across all geographies, what used to take 12 months now takes 18 months, what used to take 18 months now takes 24 months and the worst would be in some place like South Africa where it takes four to five years, so it is nothing specific to that geography.
- Ashi Anand:** If you could just quantify this in terms of the impact for us. So how many filings we have in Brazil and over what period were we earlier expected to get the approvals and how do we see them now coming from?
- H. Balakrishna:** Initially, we used to get in let us say 12 months, then it became 18 months, then it became 24 months. So now we are looking at 24 to 30 months as the approval time.
- Ashi Anand:** And how many kind of products do we have in the pipeline that you would have filed?
- H. Balakrishna:** We would have had about 15 in various stages.
- Ashi Anand:** Just coming to the second question, on the India business, what really are the challenges that we are facing on the Acute Therapy business then? How we plan to address those? Anyway you mentioned this is a new division, but if you could just expand a little bit and if you could tell us what the problems were historically?
- R. Srinivasan:** That is what we have been discussing over the last quarter as well as this quarter that problems are a few, but the main important one is there is a cluttering of brands in the division which has resulted into lack of focus in some of the important brands. So, the way it has been addressed as to add one more division so that there is a larger number of field force addressing to the focus brands, and that way you are able to bring better focus to the brands. But apart from this there are other actions like improving the doctor product metrics and better targeted doctors, improve the focus on the doctors, all these activities are happening, and it has happened at a much improved traction. But the primary reason for the lack of performance was identified like this.
- Ashi Anand:** And this newer division which we are setting up, by when do we expect to have this in place?
- R. Srinivasan:** It is already in place.
- Ashi Anand:** It has already been set up?
- R. Srinivasan:** Yeah.
- Moderator:** Thank you. The next question is from the line of Hardik Vora from Dolat Capital. Please go ahead.

- Hardik Vora:** Actually, most of my questions have been answered. So, I just have one book-keeping question. What has been the CAPEX spend for FY12, if you can just help us with that?
- Rishi Shah:** Around 180 crores.
- Hardik Vora:** On the debt side, do we intend to repay some debt or is this the level we intend to maintain going forward?
- Rishi Shah:** We would be maintaining this debt level.
- Moderator:** Thank you. The next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.
- Rahul Sharma:** Just wanted to ask you once again, the provisions that we are going to make in future, will it be done on a regular basis on the expense side going ahead? Am I right to understand that?
- R. Srinivasan:** You are talking about the provision for sales return?
- Rahul Sharma:** Yes.
- R. Srinivasan:** The accounting will be like this. Whenever I make a provision for the next year sales, I have already made all the provisions for sales till date, correct, that is number one. Number two is for the year '12-13 I will make a provision which will go out of the top line. Number three is whenever I receive sales return, these returns will offset against the provision which I have already created.
- Rahul Sharma:** If I were to interrupt, so, you will be making the provisions from the sales itself and then you will be netting off in the other income going ahead or how will you do it sir?
- Rishi Shah:** Yeah, we will be netting off against the sales this provision. So, net reported will be after the provision made.
- Rahul Sharma:** The entire thing will be routed through the P&L or you will be routing it through the balance sheet and then you will be carrying it forward to the P&L as and when the difference occurs?
- R. Srinivasan:** That is what I said. That the provisioning for sales returns as far as '12-13 is concerned, will go out of the top-line, straight, we will reduce it from the sales. And whatever the sales return physically coming to me will be offset against whatever provisions I have already created, which sits in the balance sheet.
- Rahul Sharma:** So, you are basically going ahead, you will be making the provisions in the P&L or in the balance sheet?
- R. Srinivasan:** The provision is always a balance sheet item.



*Torrent Pharma Limited
May 21, 2012*

- Rahul Sharma:** And you will be netting it off as and when the actual numbers come in and it gives the corresponding effect in the P&L, right?
- R. Srinivasan:** Yeah. Exactly.
- Moderator:** Thank you. That will be last question from the participants. I would now like to hand the floor back to Mr. Manoj Garg for closing comments.
- Manoj Garg:** On behalf of Edelweiss, once again we thank the management for taking the time out despite the busy schedule and thank you once again to all of you for participating.
- R. Srinivasan:** Thank you, Manoj.
- Management:** Thank you.
- Moderator:** Thanking all on behalf of Edelweiss Securities Limited, that concludes this conference call, thank you for joining us, you may now disconnect the lines.