



# “Torrent Pharmaceuticals Limited Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY'13 earnings conference call of Torrent Pharma hosted by Edelweiss Securities Limited. As a reminder for the duration of this conference, all participants' lines are in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should need assistance during the conference call please signal for an operator by pressing "\*" followed by "0" on your touchtone phone. Please note that the conference is being recorded. I would now like to hand the conference over to Mr. Manoj Garg of Edelweiss. Thank you and over to you Sir.

**Manoj Garg:** Good morning to all of you and warm welcome for this conference. We at Edelweiss are pleased to hold this call and welcome you for the briefing of Q1 FY'13 results of Torrent Pharma Limited. On behalf of all the participants and Edelweiss we welcome Torrent management team to discuss the results and on the outlook of the company going forward. I would like to thank the management of Torrent Pharma for taking time out for this call. I hand over the dais to Mr. Srinivasan, over to you sir please.

**Srinivasan:** Thank you Manoj. Good morning everybody. This is Srinivasan here. Welcome to our post results teleconference for the first quarter year-end 2012- 13. We have with us Mr. P.C. Gandhi, Vice President Finance, and Mr. Rishi Shah, Manager Finance in-charge of Investor Relations, apart from me. Let me take you through the highlights of the operations for the quarter and then we will go on to the question and answer session.

During the quarter total revenues for the company grew by 19%, posting revenues of 7669 million. India formulations business grew by 14% posting revenues of Rs.2778 million compared to 2448 million in the previous year. International operations grew by 33% during the quarter with US business registering a growth 88%, posting revenues of Rs.789 million. Adjusting for spillover sales, we had a spillover sales in the last year first quarter at Brazil, if we adjust for that we have a growth of 65%.

Contract manufacturing operations for the quarter degrew by 20% posting revenues of Rs. 639 million, mainly on account of lower sales coming form insulin business which we do, for Novo Nordisk. On the EBITDA side, the EBITDA margins have fallen compared to 25% EBITDA margins in the previous year we have a 21% margin this year. So if we adjust for the Brazil spillover and some one off items the margins are more or less at the same level, so there is no margin erosion we are seeing here. Net profit before tax stood at 1404 million compared to 1313 million, registering a growth of 7% for the quarter adjusting for spillover sales again the net profit grew by 27%. That is all I have right now. Thank very much and we shall start the Q&A session. Over to the coordinator please.



**Moderator:** Thank you Sir. Our first question is from the line of Mr. Krishna Kiran from ICICI Direct. Please go ahead.

**Krishna Kiran:** Thanks for taking my question and congrats for a strong set of numbers. Sir one question at your EBITDA margins and we know that we have lapsing of the government incentives but still we have clocked to say just that 24.7 Crores of forex loss, still we make healthy margins of 23.4. So how we have clocked these margins, from where we got incremental margins this quarter?

**Srinivasan:** See one is that value we need to adjust for Brazil spillover sales. In the last year first quarter we had abnormally high sale because some of the dispatches could not take place in the Q4 of last to last year, so Brazil posted an abnormal sales to the extent of about 25 Crores. That needs to be adjusted together with the margins so once you adjust the topline then the EBITDA margins comparison also changes.

**Krishna Kiran:** No, whatever what I am just trying to understand like on Q-o-Q business. See Q-o-Q last quarter we have mentioned because like DEPB benefits, employer costs, no commission on new business has impacted Q4 FY'12 results by 600-basis points but if I adjust Q1 FY'13 forex loss that EBITDA margins where at 23. 5%, which after loosing DEPB benefits and impact of new commercial, new manufacturing facilities so just what I am trying to understand is like how we have gained more margins than we were expecting before?

**Srinivasan:** One of the positives we have is that the US business as now brought in profits compared to the losses in the previous year.

**Krishna Kiran:** How much that would be the last year and how much would it have been this year?

**Srinivasan:** We are not sharing profitability numbers segment wise.

**Krishna Kiran:** So mainly from US business if I have to understood right?

**Srinivasan:** Yes the others are little offsetting. One is that you have DEBP income going away in the current quarter as against that we have some other positives coming in like say in terms of overall foreign exchange movements even though there is a loss which is booked broadly on account of hedging losses and other transactional losses there are gains coming in, in terms of higher sales realizations so that is offsetting and so there are some positives and negatives so broadly off setting each other.

**Krishna Kiran:** Can you just tell us hedge position currently?

**Srinivasan:** This year revenues are fully hedged.



- Krishna Kiran:** At what price?
- Srinivasan:** That would be at average rate of 53.5.
- Krishna Kiran:** So net exposure everything is hedged? Next one year you have hedged or it is slightly more than that?
- Srinivasan:** Yes, this year revenues FY'13 revenues.
- Krishna Kiran:** Sir may be if I can ask last question the domestic space after I think may be four quarters we have seen 13% plus growth in domestic business how we are going to look at this business going ahead?
- Srinivasan:** The position is we are seeing a positive trend in this quarter. As we see , we discuss three segments broadly in domestic we have this acute segment and we have CNS as one segment as CND, Cardio and Diabeto as another segment. So CNS and CND are doing pretty well. The acute therapy has also shown a positive trend but not to the extent that we would We have not come back to the normalcy, but it has shown has a positive trend.
- Krishna Kiran:** So how we are looking at may be for FY'13?
- Srinivasan:** CNS and CND business is showing market growth or slightly exceeds market growth or at least to the extent of market growth but the acute therapy there is still a gap if you see the ORG numbers we still have a gap and we will have to bridge the gap.
- Krishna Kiran:** So overall what we feel may be a plus or minus two based, I mean 2% with industry we will grow like that way?
- Srinivasan:** I mean our expectation is to be closer to the market growth or to exceed it in fact but we will have to see. We do not give any specific guidance on this but so far trends have been positive and so I think we should do well.
- Krishna Kiran:** Thanks a lot Sir.
- Srinivasan:** Thank you.
- Moderator:** Thank you. We will take our next question from the line of Mr. Ravi Agarwal from Standard Chartered. Please go ahead.
- Ravi Agarwal:** Good morning and thanks for taking my question. My first question was on the margins and if I see the margins for this quarter excluding the forex it has been extremely strong 24% odd now you know that too after excluding this spillover effect for Brazil for last year. Just



wondering if 23%, 24% of a sustainable number now for Torrent given that the fact that the US business has also started contributing profitably to the overall mix?

**Srinivasan:** Sorry let me understand your question. So your question is that whether the quarter's margins are indicative of the year-end margins?

**Ravi Agarwal:** I am just thinking that we know that the margins clearly are now showing an uptrend, just wondering if these are sustainable numbers going forward because your gross margin seems to have improved to almost to 200 basis points and the fact that Brazil's contribution is lower in this quarter and yet manage to sustain this margin, can you give some view on what could be the sustainable margins for the company?

**Srinivasan:** What we are saying for the current quarter is there have been no significant movements in margins when we adjust for the one off and when we adjust for the Brazil impact and other things broadly the margins have remained the same for the company as a whole. So we have not seen either an adverse movement or a positive trend.

**Ravi Agarwal:** So if I clearly put it in another way would one expect margins for the full year to possibly sure of positive trend given the fact of the US business is also now trending upwards in terms of profitability?

**Srinivasan:** See in terms of overall profit margin movements you have one positive factor this year, which is coming out of the US business and second positive factor we had is in spite of all the forex losses we still have a positive impact on account of foreign exchange movement to the extent of 9 Crores in the quarter which is about 1% to 1.5 %, so that may fluctuate. It depends on how the currency movements are going to be there but it is not going to cause a significant movement here or there.

**Ravi Agarwal:** The second question was on the US business we were hearing some commentary from other people about you know have there been more than anticipated pricing pressures on base business just wondering what has been the experience in Torrent as far as pricing goes for the US markets? Has the pricing situation been higher and as the pricing situation deteriorated before over your general experience or has it remained almost the same?

**Srinivasan:** See actually the pricing situation is different for different products but on an overall basis you know broadly what we are seeing in the US market is that there are some consolidations happening in the retail segment, in there the whole seller segment so that has resulted in to some pressures on the business and some margins pressures are there due to that account.



- Ravi Agarwal:** My final question is that housekeeping question the other operating income, which typically showed as a part of our segmental revenue breakup. Which part of the segmental revenues do we classify the other operating income into amongst the various segments?
- Rishi Shah:** See other operating income as you look at the details one is from exporter's context so, which will be giving broadly to various geographical segments in the international. The other one would be the in licensing revenue with dossier out licensing revenues. Dossier out licensing revenues is on account of the dossier business, which we do for Europe. Then some CRAMS segment revenue where we had been discussing in all the quarters that we have contracts with three manufacturers and so the number of licenses dossiers, which out licensed and the milestone payments keep coming in so that would be the third element in that.
- Ravi Agarwal:** Can we have the break up for the 31 Crores please?
- Rishi Shah:** Ravi can we do it offline.
- Moderator:** Thank you. Our next question is from the line of Prateek Mehta from Bajaj Allianz. Please go ahead.
- Prateek Mehta:** Thank you and Congratulations on a good quarter. Just wanted some sense on the R&D expenditure how much have we spent this quarter and how is it likely to behave in the coming quarters?
- Srinivasan:** On a broad basis, we have spent about 4% of the total revenues towards R&D as against 5% we had I think in the previous year so there has been a drop. One part of the drop is of course we had a lower spend in the Discovery Research Program but generally it is we can probably say it is a timing difference because normally it would catch up as we go along in subsequent quarters.
- Prateek Mehta:** Looking at slightly longer term two to three years back we used to be in the region of 6.5% to 7% kind of a percentage of the total revenues. That number seems to have come down considerably from 6.5%, 7% to 5% and now 4% so just wondering is there some restructuring going on or what is the thought process or do you know some sort of either downsizing or change of location or anything of that sort in R&D space?
- Srinivasan:** No there is nothing like that. Actually the composition of revenues itself is changing like for instance the US was on growing phase at that point in time now you start seeing lot of sales coming in from US. We get about \$40 Million last year and likely to do probably much more this year so that is one I mean the maturity of the businesses have improved which has



resulted in the drop in the percentage margins but in absolute quantum it has not gone down.

**Prateek Mehta:** Research centre remain concentrated in Gandhi Nagar or is there any change there?

**Srinivasan:** It still remains at Gandhi Nagar only we do not have location change.

**Prateek Mehta:** Also question on your wage revision cycle I mean when do we have wage revision cycle and what is the average wage hike that you would have given for this year?

**Srinivasan:** Wage revision for manufacturing you are saying?

**Prateek Mehta:** Generally across the company or may be if you have separate wage revision cycle for different segments if you can run us through that that would be helpful?

**Srinivasan:** Normally there is an annual increment, which is given for all the employees except the workers in the manufacturing where there is a wage settlement. I do not have too much of details but generally I think it is a three year wage agreement.

**Prateek Mehta:** With the workers and at the corporate level?

**Srinivasan:** The corporate level it is on annual basis.

**Prateek Mehta:** So we are through with that?

**Srinivasan:** Yes we are through with that.

**Prateek Mehta:** Okay fair enough. That is it from me. Thank you.

**Moderator:** Thank you. Our next question is from the line of Kushik Pal from Kotak Mutual Fund. Please go ahead.

**Kushik Pal:** Congrats for the management team on a great set of number. Just to understand the accounting part of the forex and sorry if I am repeating it how much was the forex gain or loss on translation this quarter which is there in the P&L and under what line item and secondly on the hedging part at what rate would you have booked the revenue and where would the differential be or have it been adjusted against the revenue?

**Rishi Shah:** Kaushik the forex loss is entirely in other expenses, in clause 41.

**Kushik Pal:** So that is how much?



- Rishi Shah:** Rs.25 Crores.
- Kushik Pal:** Now this includes both hedging and asset liability translation?
- Rishi Shah:** No it includes all, only thing is we follow a non-integral accounting so the translation of subsidiaries will go into balance sheet it will not come into P&L.
- Kushik Pal:** Okay right and so this Rs.25 Crores is on account of the hedging between whatever the spot rate and your hedge rate so you have booked your revenue at the spot rate right?
- Rishi Shah:** Yes so my topline is at a spot rate and I have hedged at let say 52 so the difference between the spot and the hedge rate would come as a forex loss.
- Kushik Pal:** Can you mention at what rate their topline has been booked on the export side?
- Rishi Shah:** Topline is on an average rate of 55 somewhere in the range of 55.
- Kushik Pal:** Secondly on US market obviously we have seen a pretty great growth this year this quarter and just trying to understand that as far as I know there has been two major launches by you this quarter, should we be able to more or less extrapolate this quarterly number on a full year basis or do you think and growth grew also on a Q-o-Q basis or do you think there can be some element of just launched channel stuffing in the first quarter, which may or may not repeat in the coming quarters?
- Srinivasan:** See current year we have quite a few launches. In fact it should be more than usual launches. We will have probably total eight expected launches during the rest of the year. So the revenue growth should be robust for the current year.
- Kushik Pal:** Also finally there seems to be big difference in the other income component between standalone and consolidated I was just wondering why is that arising?
- Rishi Shah:** Kushik we should not look at on a standalone and consolidation, because there are lot of adjustments between inter company or between a parent and subsidiaries goes on so we should not look at comparing standalone and consolidated other income.
- Srinivasan:** One main difference would be coming out of let us say Sikkim unit is under a partnership firm so there would be a share of partnership income which will come so in the standalone whereas in the consolidated it just appears as a line by line consolidation.
- Kushik Pal:** Okay got it. Thanks a lot.
- Moderator:** Our next question is from the line of Bino Pathiparampil from IIFL. Please go ahead.





- Bino Pathiparampil:** Congrats on a good set of numbers. Just a question about Germany after several quarters where we saw some steady improvement in revenues there we have seen a weak quarter so was there some new contracts in the quarter or are we likely to and what was the outcome of that new cycle of contracts are we going to see some weak period ahead?
- Srinivasan:** There are no significant movement I mean there have been some new tenders where we won some products and the old tenders came to an end so these things are happening on a routine basis but the current quarter we faced some supply issue due to which sales is little lower and because of that profitability is little lower.
- Bino Pathiparampil:** So the new contract we have won will completely offset the once which have come to an end?
- Srinivasan:** Yes, I mean on a broad level yes.
- Bino Pathiparampil:** Are there some payouts to insurance companies in Germany due to sometime which will bring down your creditors?
- Srinivasan:** I mean it depends; the payments keep happening depending on when the insurance company comes back and collects the money, so we keep making provisions in the books of accounts for all those. So I do not know in what context you are asking this?
- Bino Pathiparampil:** My question is more like does that payment to insurance company happen on a regular day is it happening on a regular basis or will it be one bullock payment which might go out at sometime?
- Srinivasan:** No it is not like that. It is generally we have six months cycle and we make complete provisioning of all these discounts in the books of account and as and when it gets paid the cash balance reduces.
- Bino Pathiparampil:** Okay so it is a six months provisioning cycle?
- Srinivasan:** Yes.
- Bino Pathiparampil:** Finally the tax rate for the quarter is pretty high so is it likely to come down to the 20% to 21% level for the full year?
- Srinivasan:** See the current quarter tax rate is around 27%. Normally we estimate around 22% to 23% on an average but you know quarterly levels we have always seen the sort of fluctuations in the tax rates. In the current quarter particularly we saw the tax rate going up because of two reasons one is the profit on the unrealized dispatches you know supposing I dispatch some goods to the subsidiaries I have to pay tax at 20% of India and then when it does not get

sold in the subsidiaries I have to reverse it in the consolidated accounts. I have to reverse the profit in the consolidated account whereas I will not be able to reverse the taxes. So this is one which is causing fluctuation half of the increase in let us say from an average of 22% to 27% is because of this the other half is that there are some losses at subsidiary level like say we have some new subsidiaries coming in like UK, Romania and all this where these losses were actually we do not create any deferred tax asset on this so that has resulted into a higher tax rate, but I think it is also on offsetting item in the sense that it should offset at some point of time depending on how the sales eventually pan out.

**Bino Pathiparampil:** So for the full year we should look at about 22%?

**Srinivasan:** Full year we should expect about 23% also.

**Bino Pathiparampil:** Thank you. I will join back the queue.

**Moderator:** Thank you. Our next question is from the line of Mr. Ashish Rathi from Equirus Securities. Please go ahead.

**Ashish Rathi:** Good morning Sir. Congratulations on a very good set of numbers. My question pertains to Brazil market when we are looking at some slow approvals happening from the side how is the movement in there for the quarter?

**Rishi Shah:** Ashish, the timeline remains the same so there is not much of a change in the timelines of approvals.

**Ashish Rathi:** How many products, did we launch in this quarter?

**Rishi Shah:** Three products.

**Ashish Rathi:** Do we have products which are already approved and yet to be launched?

**Rishi Shah:** We have couple of products but we will have to look at when we will be launching that because in a branded generic market it is very difficult to launch large number of product in a particular year.

**Ashish Rathi:** Secondly on the contract manufacturing like what will be the licensing income for a quarter?

**Rishi Shah:** Contract manufacturing would be around Rs.15 Crores.



- Ashish Rathi:** Because we are seeing a decline in this contract manufacturing on a quarter-on-quarter basis as well so should we take this as a trend like 65 Crores, 64 Crores what we have got this quarter?
- Rishi Shah:** See the major part of the decline is coming out of the contract manufacturing, which we have with Nova Nordisk for Insulin supplies.
- Srinivasan:** See licensing income has not moved significantly, so if that is your question it has not moved significantly compared to the previous quarter.
- Ashish Rathi:** Okay got it Sir. Thank you. I will join back the queue.
- Moderator:** Our next question is from the line of Mr. Nitin Agarwal from IDFC. Please go ahead.
- Nitin Agarwal:** Thanks for taking my question. Just on the Brazil just to clarify, you said if you adjust for the spillover sales last year your business grew 65% this quarter?
- Srinivasan:** Yes.
- Nitin Agarwal:** What would have you really driven the growth on a like-to-like basis so much in this quarter?
- Srinivasan:** Last year we also had apart from this spillover sales the sales were also a little subdued. We had a base effect there as well so I think if we adjust for that the real growth is coming out to be around 45% - 47% around 47% or so.
- Rishi Shah:** Real term that is a growth of around 25%.
- Nitin Agarwal:** So we have got some currency gains also in the current quarter?
- Rishi Shah:** Yes.
- Nitin Agarwal:** So in terms of how do you see the growth really panning out for you, I mean is it sustainable number this 27%- 28% in real terms and in whatever and in constant currency terms or local currencies?
- Srinivasan:** See the market growth for our products for our Pharma market is about 13% - 14% and so overall growth does not include any price growth I mean there would be some small price growth, which is offset by price decreases as well so we do not see much price growth in this growth, so broadly the growth is coming out of two reasons. One is on the existing products the new products which works out to about 7%- 8% growth and the rest of it



coming out the existing products. So existing products has shown a very healthy growth this quarter.

**Nitin Agarwal:** So you have 136 Crores that we done in the quarter should be pretty much at a base number on which we should grow in the remaining quarters going forward?

**Rishi Shah:** There would be some kind of seasonality involved so you should not see it on sequential basis.

**Nitin Agarwal:** Because you know if you look at it, Rishi, for the last six quarters it has literally and effectively grown sequentially pretty much on over the five or six quarters in the business while we have been sort of been sounding a little cautious on the business but we continue to grow extremely strongly so is there a good fair chance to assume that we can continue to maintain this momentum as you continue to go along?

**Srinivasan:** In Brazilian market even for all the four quarters discussion during the last year if we see there have been fluctuations in the growth and one quarter we have very low growth and other quarter we have high growth so there are some movements particularly which happens you know which is the nature of the business and so the single quarter growth is not very indicative of the whole year's growth but on an overall basis the growth is healthy. It is higher than the market and the trend is likely to be higher than the market.

**Nitin Agarwal:** On the R&D spend that we had alluded to earlier we have been about Rs.30-odd Crores for the current quarter right based upon the 4% of sales?

**Srinivasan:** Yes.

**Nitin Agarwal:** What proportion of overall annual spends would be on discovery?

**Srinivasan:** See generally breakup between discovery and developmental front is roughly at the region of one third and two third.

**Nitin Agarwal:** Lastly on the realization front you booked your revenue with Rs.55 in the current quarter in Q1 FY'13 what was the rate at which you booked your revenue last year?

**Rishi Shah:** Around 47- 48.

**Nitin Agarwal:** I mean large chunk of your gross margin gains in the current quarter would have been on account of currencies is that fair to say that?

**Rishi Shah:** Correct.



- Nitin Agarwal:** Because I guess the way we are looking it doing the numbers right now is all the hedging sort of losses or gains if we are taking below the line or rather we are quoting them separately so as and when the our topline would be primarily a function of how this quarter really functions.
- Rishi Shah:** Right.
- Nitin Agarwal:** Fair enough. Thanks very much.
- Moderator:** Our next question is from the line of Monica Joshi from Avendus Securities. Please go ahead.
- Monica Joshi:** Just for taking my question just some clarifications one, we are seeing rising inventory level as of June any particular reasons for that?
- Srinivasan:** But when we look at these as the territories we do not see much movement in the inventory levels. Some of the territories we have built some safety stock, but generally it is at the same level. I mean if you see in terms of number of days there has been no significant movement.
- Monica Joshi:** I am looking at this number from your March end number of about 530 Crores going up to about 625 Crores?
- Srinivasan:** That is a 17% jump, right. It is in line with revenue growth so the inventories have not moved significantly here or there.
- Monica Joshi:** Sir you are not seeing any inventory and you just mentioned some markets that you have some inventory buildup, so any particular reasons or geographies that you would like to elaborate on?
- Srinivasan:** There is nothing. These are all if you look there are various markets we are operating in so some markets we build some inventories, some markets the inventories go down, but on an overall basis there have been no significant movement in inventories.
- Monica Joshi:** Secondly, just to take on R&D what we are seeing as per your annual report is the number of people out in the R&D centers has come down not materially, but it has come down, so when you did mention that you are going on a little low on discovery research, is there any structural change that you are seeing where you are downsizing your team or any such developments?



- Srinivasan:** There have been no significant changes this side. We always keep changing some numbers here or there, and probably we reduce depending on the activity levels, but there is no restructuring as such.
- Monica Joshi:** Lastly, as far as your supplier agreements go with AstraZeneca and your other partner, where would you record the sales? Is it recorded in contract manufacturing or would it be clubbed in rest of the world export geography?
- Srinivasan:** It will be part of contract manufacturing.
- Monica Joshi:** Can you share that number, which is there in contract manufacturing?
- Srinivasan:** That is not much of sales, which is just started from all those agreements, so the entire thing is insulin business right now almost.
- Monica Joshi:** Sir, the entire 64 Crores is what you are saying is virtually in these businesses is that right?
- Srinivasan:** Yes and more or less doing, there will be some component of sales to the other formulations contract manufacturers but not significantly.
- Rishi Shah:** This 65 Crores include operating income. The dossier out licensing income which we have received so out of 65 Crores 15 Crores is dossier out licensing income.
- Monica Joshi:** Which was earlier recorded as other operating income?
- Rishi Shah:** Yes.
- Monica Joshi:** That is 15 Crores roughly. Thank you Rishi. Thanks.
- Moderator:** Thank you. Our next question is from Karthik Mehta from ICICI Securities. Please go ahead.
- Karthik Mehta:** Hi, can you explain your India sales growth predominantly in the chronic part if that continues to be around your addressable overall market growth rate, do we expect FY'13 and/or even a year down the line where would you see India sales overall increasing above the industry?
- Srinivasan:** If you see the chronic segments if you take cardiovascular and diabetology is one segment together, we are seeing that the current market growth for the quarter was 20.7% and we did a growth of 19.1% and the other CNS segment the market current market growth is 17% versus our growth of 16.7%.



- Karthik Mehta:** So in this case are we seeing increasing competition from some of the MNCs even now or is there some respite because for a fair amount of time the India sales growth has been under 15%, IPM being better in 13% to 15% and segments in the chronic space have been way higher than 18% to 19% consistently, and the categories where we are present are there any areas where we are facing continuing pressures from our existing competitors, how do you think actually we can reverse this?
- Srinivasan:** The competitor pressures we have been seeing right over the last few quarters that you know better because you have been going through this market trends and when discussing this as well, so the pressures on MNC continues to be there, so it is only that how we react to that within, how do we change and protect ourselves from losing any market share and being able to beat the market.
- Rishi Shah:** But so far we have not faced any issues specifically in the chronic therapy. What we have been discussing over the last few quarters is about Accute herapy where even now we are below the market. The market grew at about 15.6% whereas we had a growth of 11.9% so that is where we need to do a catching up, but for chronic therapies we are not seeing any major problem as such.
- Karthik Mehta:** Sir, would it be possible to roughly share the price and the volume growth in acute and chronic that you see across the industry? So just a rough sense would help?
- Srinivasan:** Across the industry we do not have the numbers within price growth and volume growth but as far as we are concerned there have been no significant price growth. Growth has not been significant of price growth. Probably we will be able to give you the breakup of growth, Rishi can you be in touch with him?
- Rishi Shah:** Yes.
- Karthik Mehta:** Sir, one last thing here is on the acute do you think that by launching more products or is there anything where we can actually reverse the gap because it seems fairly evident for a while now that the erosions in the acute therapy are actually bringing down the India growth so should not acute be actually not an area of focus and maybe actually lower down the overall sales that we have from this area?
- Srinivasan:** What we discussed so far is that we have been trying to bring in better focus on the molecule we have already launched by launching a new division sometime back, we have brought about better focus on the products, which we already have in our basket, so that the large molecules gets the due attention and that we are able to maintain and improve upon the existing market share. That is there and apart from that the new product introduction is a continuous activity anyways. Every year we keep introducing new products and that keeps



happening and so both these factors are certainly important to as growth factors to bridge the gap and as far as do better Accuthera as well.

**Karthik Mehta:** So do we plan to add more MRs in the year and if you could share that how many new MRs did we add in India over the last quarter? Thanks.

**Srinivasan:** I do not think we have added any MRs during the last quarter.

**Karthik Mehta:** So do we plan to add anything more because have just added a new division and we have some more launches in actually India, so where would the MRs be at the end of the year?

**Srinivasan:** Right now there are no plans to increase MR, it is only probably the vacancy filling which will cause some fluctuation but otherwise we have no plans to increase the MR for new divisions.

**Karthik Mehta:** What is the total strength now, Sir, if you can please give us?

**Srinivasan:** 3000.

**Moderator:** Our next question is from the line of Bhavin Shah from Dolat Capital. Please go ahead.

**Bhavin Shah:** Thanks for my question. Just wanted a breakup of acute and chronic in the domestic segment if you can for this quarter and for the quarter last year? Acute and chronic breakups split in terms of percentages for the quarter and for the last year?

**Srinivasan:** Percentage of total sales, is it?

**Bhavin Shah:** Domestic sales. I will take it offline from Rishi.

**Rishi Shah:** 40% is acute and 60% would be chronic.

**Bhavin Shah:** This is for the quarter review end. For the quarter last year?

**Rishi Shah:** More or less it will be the same, not much has changed.

**Bhavin Shah:** Not much has changed. Just wanted to know of the constant growth in US?

**Srinivasan:** I will give it to you offline?

**Bhavin Shah:** Okay. I will take that. Rest we possibly have done with three launches and you are saying probably that we are trailing about eight to ten launches for the year in Brazil, is it going to be that way or slightly a lower number?





- Srinivasan:** We cannot launch more than four to five products in a particular year. You will not be able to do justice in that segment. Yes you can launch a product but in a branded segment it is difficult to have more than four to five products in a year.
- Bhavin Shah:** All right I get that. I will be there in the queue. Thank you so much.
- Moderator:** Our next question is from the line of Khushbu Patawari from ShubhKam Capital. Please go ahead.
- Khushbu Patawari:** Good set of numbers. Sir just one clarification, if you can just throw some light on AstraZaneca deal like when do you see about ramp about of that deal?
- Srinivasan:** I think we would probably expect the sale to take place from 2013-14. That is under supply tie up. So the ramp up will be subsequent to that.
- Khushbu Patawari:** Sir, we have started filing for the products, right Sir?
- Srinivasan:** Right.
- Khushbu Patawari:** So any idea that how much like how you will file up and any idea on that part Sir, filing an approval?
- Srinivasan:** Filing an approval?
- Khushbu Patawari:** For the products, you have mentioned that you have filed in products and you require marketing authorization, right Sir?
- Srinivasan:** Yes. The dossiers have been given to them quite sometime back and they have already applied for MA's in various markets, and they would have received marketing authorization as well. But the day of launch would depend their priority is which they have decided for each of their territories, so looking at the marketing authorization approvals on standalone basis would not give any indications, i it is dependent on what is their territory strategy and how many products they would like to launch and various other factors.
- Khushbu Patawari:** Thank you Sir.
- Moderator:** Our next question is from the line of Rahul Sharma from Karvy Stockbroking. Please go ahead.



- Rahul Sharma:** On the matrix front if you look at the numbers, gastro had also underperformed and probably 11% to 12% growth for the quarter and anti-infectives actually had degrown so is there any or what steps have been taken to address this and what you said that your primary numbers in acute is 15.6%. Could you give the break up in anti-infectives and gastro?
- Rishi Shah:** Rahul, from where did you pick up this number, because when I see it over the numbers gastro we had grown at around 16% for the quarter.
- Rahul Sharma:** This is AIOCD data?
- Srinivasan:** We generally refer to ORG. ORG reflects 16% growth for Torrent and anti-infective has a growth of around 4%.
- Rahul Sharma:** Just on the financial part just wanted to know this 24.7 Crores is reflected in forex loss that is reflected in the other expenses?
- Srinivasan:** Yes it is clubbed under other expenses.
- Rahul Sharma:** This is basically it is not translation it is actually hedging losses?
- Srinivasan:** Yes.
- Rahul Sharma:** Any pertinent reason why our staff cost increase Q-on-Q is because of increments in this good runrate to go back?
- P.C Gandhi:** Yes, staff cost has increased by around 6% on a Q-on-Q basis, not much.
- Rahul Sharma:** But this is a good runrate to go, there are no exceptional?
- P.C Gandhi:** No nothing exceptional is there.
- Rahul Sharma:** Any milestones in payment are there in the quarter in the other operating income, which is coming?
- Srinivasan:** The other operating income there is CRAMS income of 15 Crores.
- Rahul Sharma:** This is on account of what, it is because of AstraZaneca?
- Rishi Shah:** All the three deals.



- Rahul Sharma:** Domestic what you are looking for the current year what growth number we are all looking at? Whether we will be able to breach the market rates or will there will be growing in line with the market?
- Rishi Shah:** There is no specific guidance. As we said chronic therapy is doing well and current performances is closer to market already, where we have problem is only accuthera where we need to bridge the gap between the market growth and our growth and I think we have seen a positive trend so I think as we go along we should do better.
- Rahul Sharma:** Sir, correct me if I am wrong we did 19% growth for the quarter in CVA?
- Rishi Shah:** Rahul, I will email you the numbers.
- Rahul Sharma:** Thanks. I will join the queue.
- Moderator:** Our next question is from the line of Hardik Bohra from Dolat Capital. Please go ahead.
- Hardik Bohra:** Thank you for taking my questions. I have just couple of bookkeeping questions. What is the forex debt component in our book right now, Rishi?
- Rishi Shah:** Forex debt would be around \$70 to 80 Million right now.
- Hardik Bohra:** If I followup from the last quarter about 10 Million of it is only unhedged right?
- Rishi Shah:** Yes \$6 – 7 Million would be unhedged.
- Hardik Bohra:** I think the rest of the questions have been answered so I will just join back the queue.
- Moderator:** Thank you. Next question is from the line of Mayank Hyanki from Birla Sunlife. Please go ahead.
- Mayank Hyanki:** I have just two or three questions. First is that Rs.25 Crores loss which is on the forex account it is realized and is it on the entire hedged or its proportionate to a Dollars hedges, which have matured this quarter?
- Rishi Shah:** It is proportionate to the hedge, which has matured this quarter.
- Mayank Hyanki:** Okay secondly employee number has changed I mean quite drastically Q-o-Q you have said it is 3000 right now because previously we have been looking at number of 3600 so?
- Rishi Shah:** No that is in putting zonal managers and all those other people so if you look at only MR's it is 3000 if you add zonal managers and other people would be around 3700.



- Mayank Hyanki:** Okay so there has been any change in last two three quarters as well or more than that last four five quarters? And attrition rates are it under control now or are it still high?
- Rishi Shah:** No for the divisions or for the therapies which we are in there is not much of an issue in terms of attrition is concern but the new therapies like Gynec the attrition is higher.
- Mayank Hyanki:** Lastly on the CapEx front how much are we looking to spend this year and next year, annual?
- Rishi Shah:** It could be roughly round Rs.200 to 225 Crores in that range.
- Mayank Hyanki:** Okay thanks a lot.
- Moderator:** Our next question from Mr. Amit Hiremath from Enam Asset Management. Please go ahead.
- Amit Hiremath:** Thanks for the opportunity. My question is related to the domestic formation business where you mentioned that conclusion of acute and chronic segment overall has not changed on Y-o-Y basis so is it right to assume that both the segments are growing at the same rate?
- Rishi Shah:** No there has been a change but not a significant change two three percent change would be there.
- Amit Hiremath:** Okay and is there any substantial difference between as far as EBITDA margin is concerned between these two segments?
- Srinivasan:** EBITDA margins will obviously be different but we are not sharing territory specific margins.
- Amit Hiremath:** Regarding the Brazilian market in the last call you had mentioned that there has been a delay in the overall approvals process due to some democratic pressures, is the scenario improving over there or it is still the same?
- Srinivasan:** During the current quarter we have not seen much changes but I think overall timeline was about over 27 months or so, so which continues there is no specific event or anything, which happened during the quarter to make us feel that it is going to be anything different.
- Amit Hiremath:** Thanks. That is it from my side.
- Moderator:** Our next question from the line of Mr. Ravi Agarwal from Standard Chartered. Please go ahead.

- Ravi Agarwal:** Thanks for my followup. Just actually one question this licensing income of around Rs.15 Crores is there some seasonality with the number, which one should look at on consisting basis and a quarter basis?
- Srinivasan:** No see Ravi this is we have milestone payments which keep coming in depending on what activity has been completed like if they receive a marketing authorization then there is a payment due and so that is one part of it the other part of it is that constantly there would be some dossiers being out licensed so that would bring in some revenue. The third part of it is that even for the dossiers, which are out licensed to them if it is going to be extended to different markets then there are some additional revenues being collected for improvements to these dossiers for a specific market. So broadly these are the three lines in which we get the revenues.
- Ravi Agarwal:** Just one thing is there consistency on a quarterly basis to be looking at say Rs.10-15 Crores per quarter coming in I think still the revenue is actually started you were mentioning from next year is that a number one should look at Rs.15-odd Crores?
- Srinivasan:** It should start tapering of may be sometime I think we will be able to probably give you some guidance on this in the next quarter's call.
- Ravi Agarwal:** Thank you.
- Moderator:** Participants due to time constraints we will take our last question from the line of Neeta Shetty from AMSEC. Please go ahead.
- Meeta Shetty:** Thanks. Just some sense on why the contract manufacturing revenues from Novo have declined so much in this quarter?
- Srinivasan:** See the Insulin offtake has been less I think what we heard from our partners. They have not been very successful in some of the tenders where they participated. So that is one of the reasons.
- Meeta Shetty:** Because it will be like on the most steadiest segment for us in the last two quarters if I see, so what is runrate that we can assume going forward? Is this the kind of similar runrate should continue or should we look at back to that Rs.60 – 61 Crores kind of a numbers, any sense if you can share?
- Srinivasan:** I think there has been some shortfall in sales compared to what we expected for the current quarter and this probably will continue in this range for the current year but we do not see much change as we go forward because part of it we will not able to make up and so the shortfall will continue for the current year.



- Neeta Shetty:** Okay for the entire year similar runrate should be maintained?
- Srinivasan:** Correct.
- Meeta Shetty:** Secondly your employee cost although has grown only 6% quarter-on-quarter but if I remember on the Q4 we had 1% impact due to the pension liabilities and if I adjust for the same then the increase is pretty high so and if there is no exception I mean if you can just clarify this?
- Srinivasan:** See we do not see much change in this but however if you want some clarification you can be in touch with Rishi.
- Meeta Shetty:** Lastly Brazil we have had three launches in this quarter and Q4 also we had three on this in the last 6 months launched six products is that right?
- Srinivasan:** Yes.
- Meeta Shetty:** Okay and dossier we had about Rs.60 Crores for the entire year last year FY'12 and 16 – 15 already there in this quarter so could we look at 40-50 as a broad number from the dossiers for this year?
- Srinivasan:** As I said we will try to give you some guidance in the next quarter's call.
- Neeta Shetty:** Thanks.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Manoj Garg for closing comments.
- Manoj Garg:** Thanks once again on behalf of Edelweiss. We thank the management for taking time out despite their busy schedule and thank you once again to all of you. Thank you very much for being there on the call.
- Moderator:** Thank you sir. On behalf of Edelweiss Securities Limited that concludes this conference thank you for joining us. You may now disconnect your lines.