

"Torrent Pharma Q1 FY18 Earnings Conference Call"

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Moderator:

Good day, ladies and gentlemen, good day and welcome to Torrent Pharma Q1 FY18 Earnings Conference Call, hosted by Edelweiss Securities Limited. As a reminder, for the duration of this conference call, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Malik from Edelweiss Securities. Thank you and over to you Mr. Malik!

Deepak Malik:

Thank you. On behalf of Edelweiss, I welcome you all for the Torrent Pharma first quarter FY2018 earnings conference call. From Torrent Pharma's management today we have on call Mr. Ashok Modi, Executive Director, Mr. Sanjay Gupta, Executive Director (International Business), Mr. Dhruv Gulati, Executive Director (India & ROW business) and Mr. Sudhir Menon, Investor Relations. I would like to hand over the conference to Mr. Gupta now for the opening remarks. Over to you Sir!

Sanjay Gupta:

Thank you, Deepak. Good evening everybody. I will just make a few comments before we move on to the Q&A. For this quarter Torrent's revenues were 1374 Crores versus 1551 Crores in the previous year same quarter. EBITDA for the quarter was 29% versus 30% in the previous year. As you are aware last year, Q1 had the higher profits and revenue from Aripiprazole.

Moving on to the market specific comments, India is the largest market and accounts for about 33% of our sales. Our Q1 sales in India have declined by 9%. Major reason for this decline has been GST implementation and which has led to a reduction in the trade inventory. The latest reports from AIOCD shows that the Indian pharma market inventory levels at the end of June was 17 days compared to 40 days a month before in May 2017.

There are some early signs of recovery as the market is aligning itself to the post-GST scenario. In terms of secondary data especially if you look at the AIOCD data for the quarter, the Indian Pharma market is showing a growth of 8% and Torrent is showing a growth of 8%. So this is data is for quarter ending June 2017. The MAT June 2017, the pharma market is showing a growth of 10% with Torrent showing a growth of 13%. So our growth higher than the market is basically, thanks to our top five brands, which continues to be Shelcal, Chymoral, Nexpro, Deplatt and Nebicard.

Just an update on a couple of items. We had acquired the brands from Novartis and we started promoting Regestrone and Evalon in India and this was started towards the end of this Q1. So it has not had a material impact. Prucalopride, which is for chronic constipation was launched in April 2017 and we still are the only one promoting this molecule and it has received good acceptance on GIs and we are on track with our objectives for the specific products. So to sum up the India business, we continue to focus of brand building, productivity and our focus on segment in the market.



Moving on to the US actually I will just comment that looking for Q4 last year to Q1 of this year, our sales are somewhat stable. We had finished this quarter at 42 million compared to 41.8 million in the preceding quarter. As far as ANDAs is concerned we only signed one ANDA in Q1 but our guidance for the whole year is that we should at least see at the same level as last year, I just wanted to remind you last year we filed about 16 ANDA's.

As of today, Torrent has three tentative approvals and 26 ANDAs under review. In the current fiscal years, we have already launched five products in the US so we have launched Olme, Olme-Amlo and Olme-Hctz, Celecoxib and Darifenacin. Four more products are approved and some will be launched this year so those four are Anagrelide, Fluvoxamine, and Olme-Amlo HCTZ and Lam ER. We have received EIR from the last inspection of Indrad and we had two additional inspections during the current quarter for the API plant at Dahej and for the finished products plant at Dahej.

The last two major markets as far as the Brazil and Germany; for Brazil our primary sales during this quarter were 19 million Reais compared to 85.8 million in Q1 of 2016. So the growth rate calculates to be about 5% in local currency. This however is not an accurate reflection of our performance due to swings in channel inventories. The close up, which is the equivalent to IMS in Brazil is showing that Torrent has now attained 15th ranked in prescriptions amongst all Pharma Companies in Brazil and our Q1 sales in value has grown at 19% compared to 7% for the Pharma market.

So the early indications are also the two of recent launches branded American Olmesartan and Trazodone are on track to meet their objectives. Our last major market is Germany and German revenues have grown from 25.5 million Euros in Q1 of last year to 28.4 million Euros in Q1 2017 representing a growth of 12%. We continue to be amongst the top five generic companies in Germany with our market share in US being 4.76% during April and May 2017.

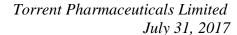
In summary, I would say that we continue to drive performance in our core market while increasing considerably our investments in R&D and meeting successfully the required quality standards. Deepak we can open the calls for questions now.

Deepak Malik:

Thank you very much. We will now begin the question and answer session. We will take the first question from the line of Aditya Khemka from DSP Blackrock. Please go ahead.

Aditya Khemka:

Thanks for the opportunity. Sanjay it is the first question on the US business flattish revenues, we had a couple of interesting launches and also IMS data reflected some sort of market share gains in key products like that Detrol LA, Nexium, so just wanted to check with you is it that the incremental revenue is one of meaningful or is it that the base business price erosion are sort of which ate into whatever the new launches produced in the first quarter?





Sanjay Gupta:

I see there is a lot of moving pieces and they seem to have compensated each other out so we had few new launches. We had increase in market share in a few products and the product mix tilted more favorably towards the products where we have some pricing power. On the same hand, we suffered price decline just like everybody else but on the whole in our net –net basis, we have finished up on a flattish basis compared to Q4. So they are multiple moving pieces inside.

Aditya Khemka:

Fair point Sanjay Sir, just wanted to understand a little more in that so compared to let us say 4Q versus 1Q so the previous quarter sequentially versus this quarter, how much base business price erosion have we seen is it like single digit, mid-single digit, double digit, what sort of price erosion have we been seeing?

Sanjay Gupta:

It is product such Aditya. So, I would suggest that you just take the IMS on each product and you compare because you will see that for some products it is not at all, for other products it is quite dramatic so it is all over the map and I do not think I should give a composite figure because it really is not very meaningful, because we have some products like we are selling what we are selling, we are selling product Fluoxetine, we are selling Tolterodine, we are selling the Carbamazepine line, so we have some products where the competition continues to be somewhat limited which allows us to kind of maintain prices, even in a tough pricing environment and we have other products which are fairly genericized if you take Zolpidem or Citalopram where the pricing pressure is at its peak so on the whole, I prefer avoiding giving you a composite number for this quarter but it is a product specific phenomenon. We have some good products, which allow us to maintain this level of depth.

Aditya Khemka:

So as you mention, pricing pressure in some of the key large products has been one of the reasons for sort of revenue decline that we are seeing, so just help me with the product concentration that you may have in the US right now, so is our revenues largely concentrated and let us say in top five products? Do they contribute like 50% and 70% of our total US sales, what sort of diversification are you experiencing?

Sanjay Gupta:

I would say that the top ten products of the company accounts for about 75% of the sales.

Aditya Khemka:

Top ten products of 75 and top five would be 50, ballpark?

Sanjay Gupta:

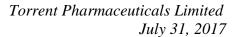
Yes, top five would be about 50.

Aditya Khemka:

I did not catch you on the facility status Dahej API formulation, Indrad all these have received the EIR of the FDA anything pending from that side?

Sanjay Gupta:

No. We had the Dahej inspection as recently, as June so the EIR's are far away, we received 5 483s finished product inspection, we received 0 483s for the large inspection, so the resolution is in pathway for the Dahej plant.





Aditya Khemka: Secondly again on the Dahej plant itself what is the current capacity utilization, there?

Sanjay Gupta: Aditya, you cannot monopolise all the questions my friend.

Aditya Khemka: This is the second question.

Sanjay Gupta: I will request you talk offline with Sudhir or give others an opportunity and we can continue in the

end.

Aditya Khemka: Thank you. I will get back in the queue.

Moderator: Thank you. We will take the next question from the line for Anmol Ganjoo from JM Financial. Please

go ahead.

Anmol Ganjoo: Thanks for taking my question. My first question is around gross margins, what explains such a sharp

expansion in the gross margins for the quarter?

Sudhir Menon: Anmol, if you look at the previous year's number it was broadly between 68% and 70% barring the

last two quarters where there were certain one-offs which had come in and we had indicated the reason for the reduction in the gross margin in the last few quarters but as far as this quarter is concerned there are no one-offs of those kind which have come in and the business is looking as usual but then you know it depends upon the kind of the territory mix and the product mix which is there, so as of now for Q1 if you ask me whether it is one off thing I would say no because its business is as

usual and going forward let us see how the mix comes up and what could be the movement.

Anmol Ganjoo: Sir just correct me I am understanding this correctly, last two quarters we were coming off also from a

higher Aripiprazole base so also on a year-on-year basis the corresponding year did have an equal contribution from Aripiprazole so to that extent is it fair to assume that this quarter's gross margins

are fairly representative from a steady status?

Sudhir Menon: I would say as far as Q1 is concerned Anmol, based on the territory mix and products mix which has

come in there is nothing unusual about it but then you know going forward let us see how it comes in

but for me to say whether it is representative for the subsequent quarters I think we should wait for

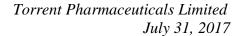
one more quarter.

Anmol Ganjoo: I push my luck on the question from my previous participant, so last quarter conference call your

commentary on US from a pricing standpoint was that as bad as you see in a while it is a high double digit or mid teens kind of price erosion. I know there will be divergences across the portfolio but if

you were to a kind of just anecdotally describe the pricing environment in the US this quarter have

things deteriorated or improved and if yes by what margins?





Sanjay Gupta:

I would say the pricing environment is pretty catastrophic in US. I joined my comments with what you have seen other companies make it is not getting better. In fact we are still have one major I would say consolidation of buyers, wherein Acondis combined purchasing with the V-Tag Group for the Voyager's Group so that will happen in fact as and when we decide to implement that so I would say that the pricing environment continues to worsen. We do not have any major let us say one time consolidation impact but the decline in this quarter has been like let us say high single digits or double digits at this particular quarter.

Anmol Ganjoo:

Sir my last question before I get back into the queue, also during the last quarter you had said that your Esomeprazole you seem to exceeding market share to preserve margins. Has there been a change with respect to strategy both from a basket approach as well as the individual product because we see gain in the market shares reported by IMS data so you seem to be gaining share and you had ascribed this particular product dynamics to last quarter saying that you will in to some extent be willing to exceed share to protect profitability?

Sanjay Gupta:

No, Esomeprazole is not something where we have to changed strategy. So our share continues to be as the last player, I would say in this market and because we have chosen to be the last player. In terms if you look at the ranking of the company, the company has a very low single digit market share.

Anmol Ganjoo:

I have follow ups, but I will join back the queue. Thank you.

Moderator:

Thank you. We will take the next question from the line of Nimesh Mehta from Research Delta Advisors. Please go ahead.

Nimesh Mehta:

Thank you for giving me an opportunity. Trying to understand on the US launch guidance that you had given earlier like you should remain on track in launches and within that do you expect any meaningful launches as per your competition launch?

Sanjay Gupta:

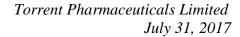
The launches that we have in the current fiscal years are basically all generic launches so I do not expect large swings coming from the launches that we have scheduled this year. None of them is a day one launch.

Nimesh Mehta:

None of them is day one launch. On Renvela do you think that may be a good opportunity and now that generics will start to coming, what is your sense on that, and if there is any delay on that sort please update us?

Sanjay Gupta:

I think during the last call I had updated that we are actually decided that is was best for us to withdraw the file at FDA and will be re-file and we would be re-filing in the next two quarters so we would be starting a new clock.





Nimesh Mehta: So then do you think that this will be a meaningful opportunity because by the time you will enter that

will also become fairly commoditized what is your sense on that?

Sanjay Gupta: We do not know right, if this product went generic in October 2014 or 2015 and then we had such a

long period where nobody launched so I do not I have the capability of forecasting how many companies are getting approvals. We have seen one that has got approval, which is good, and we are just continuing with our strategy and I really do not like to specify about the reality of the company's

ground.

Nimesh Mehta: Thank you very much.

Moderator: We will take the next question from the line of Purvi Shah from Sharekhan Limited. Please go ahead.

Purvi Shah: Sir, I just wanted one clarification is on the other income, so could just give us break up of other

income and the other reason being the tax rate being high in this quarter so what is the guidance for

this full year?

Sudhir Menon: I think if you look at from Q4 to Q1 perspective the other income has remained more or less same and

one of the component is the forex gain which is there, as a policy we do not give out the breakup of

other income.

Purvi Shah: Okay and the tax rate front if you could just help us?

Sudhir Menon: Yes, this time the tax rate is little higher 30% because there have been some inventory corrections

which has happened at the subsidiary levels there were lower dispatches which have happened to the

same tune, but on a full year basis I think this should be around 21% or 22%.

Purvi Shah: Sir the clarification was on the site updations as on the FDA thing and if you could just repeat what

was the site observations that we have face lifted for which facility?

Sanjay Gupta: For Dahej, the finished product facility.

Purvi Shah: Dahej formulation facility API facilitates?

Sanjay Gupta: Zero 483.

Purvi Shah: Yes, zero 483 and Indrad could be?

Sanjay Gupta: No Indrad facility already just got the EIR actually a week ago. So also just to highlight the

formulation facility and Dahej got 483, which is related mostly to the initial period of plant

operations.





Purvi Shah: Okay Sir, so that we have already have addressed and we are awaiting a response on the FDA

Sanjay Gupta: No we are not in a process of addressing it.

Purvi Shah: Sorry Sir?

Sanjay Gupta: We are in the process of replying to the FDA.

Purvi Shah: Thank you so much and all the best.

Moderator: Thank you. We will take the next question from the line of Karthik Mehta from Deutsche Bank.

Please go ahead.

Karthik Mehta: Just trying to understand your gross margins again so in a quarter when your most profitable business,

which is India would be impacted by GST, I am just not able to add up your, so the sequential

increase is quite high can you please help on this?

Sudhir Menon: Karthik, if you look at Q3 of last year and Q4 of last year, we had indicated certain things, which have

happened because of which the gross margins went down, so like typically the price erosion, which we saw, a major one happening towards the end of the year and the Romania closure, which happened and so on and so forth. This quarter what I was trying to say is nothing of that has happened. You are right in spite of the domestic going down the gross margin is looking good. So it is basically this thing of territory mix and the product mixes which has happened and that was what Sanjay was trying to explain that there are certain products on this we have had some pricing advantage and certain products which were older where we did not see that kind of pricing advantage so all put together it is

looking business as usual for the Q1.

Karthik Mehta: So if there were no GST would your gross margins be even higher by about 300 bps more because I

am just to looking at it from the perspective that Q2 or Q3 when we are able to recover or normalize India business where India business would grow at significantly higher level due to inventory, so that

number should look very high right?

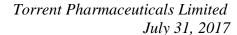
Sudhir Menon: No, well as a policy, I cannot give you any numbers on the gross margins for any business.

Arithmetically what we are saying whatever loss has happened in terms of sales for India business, let us say if the margin was 80% and above there could have been a margin improvement which could have been indicated but let us say if the margin is 70% then on an overall basis the margin would still

remain at 70%.

Karthik Mehta: Yes that is right arithmetically it may be so.

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Karthik Mehta:

So on GST how much do you think as of percentage the industry has recovered post first July or is there a number would you assume 80% of sales has been recovered by let us say end of this quarter or will that number be higher that 80% in terms of the destocking which had happened earlier?

Sudhir Menon:

I think it will be a gradual process Karthik. It is very difficult to tell a number whether 80% is recovered or not. It will be gradual recovery which will happen as there are lot of people who are still not ready with the GST enablement which is required. Therefore I think it will be a gradual process but we see recovery in July.

Karthik Mehta:

I have some other questions, I will join the queue.

Moderator:

Thank you. We will take the next question from the line of Neha Manpuria from J.P. Morgan. Please go ahead.

Neha Manpuria:

Thanks for taking my question. My first question is on the India business. Do we have margins to take price adjustments in our non-NLEM portfolio in India after the increase because of the GST or would that be the impact that we would be starting from the second quarter?

Dhruv Gulati:

See on schedule product, we are following WPI price increase that is 2% and it has been implemented from April and for non-seeding products, it is in accordance with the rule set up by the NPPA there will be rollout the price increase during the 12 month period.

Neha Manpuria:

Sir, the differential because of higher GST do we have margin to pass on that for the non-NLEM portfolio. I understand from the NLEM anyways the adjustments has been made or would that impact starts flowing in from the second quarters are what I am trying to understand?

Sudhir Menon:

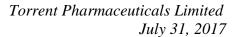
Neha, number one as Mr. Gulati said, nonscheduled formulation there is a scope of taking a price increase, but more it will depend upon what is the competition scenario. That is one way to decide how much price increase we want to take i.e piece number one. Second piece is that there is a lot of items where you were not able to take credits of the taxes, which you paid on inputs, and inputs services which now you will receive. So there is a gain coming from that perspective also. So what we are trying to do now is just to assess what exactly could be the impact for the company, but on a prima facie basis, the impact should not be that significant.

Neha Manpuria:

Got it. My second question is on Brazil. It seems that even if I look at constant currency growth after a very strong last year, is there something, which has sort of muted 5% growth this quarter. Is there some one-off etc.?

Sanjay Gupta:

Neha it is more linked to channel inventory. For the wholesaler the competition in Brazil has taken place to a great extent and one large wholesaler controls about 50% to 70% of the market. Sometimes





we are victims of their stocking strategy and I think what they did is in Q4 they purchased a lot and in Q1, the primary sales have been lower and I think in the last quarter call, I had guided that I see a better guidance of our business dynamics is coming from the IMS data and the trends there continue to be strong so as I mentioned during the opening comments those would be continue to be growing at about 19% I would say for most of last year.

Neha Manpuria: So this is just a timing issue in terms of shipment?

Sanjay Gupta: Yes, timing issue.

Neha Manpuria: Okay and my last question, Sir, we have filed only one product in the US. In the last quarter, I

remember you had mentioned that you have been sort of relooking at our R&D in the portfolio towards more high value. Is this sort of the filings be more back ended because of the additional work

that is required given our change in the R&D strategy or is that the right way to look at it?

Sanjay Gupta: R&D is like an oil tanker, we cannot see filling it overnight, so basically the filings for this year the

work already has been done for new filings will be more in the second half of the year. My overall

guidance has been that we would do at least as many as last year if not more.

Neha Manpuria: So then, when would we start seeing the filings from a change in the R&D strategy in terms of doing

a higher value filings and improving the product pipeline that we have?

Sanjay Gupta: Actually let us say that we have pruned the pipeline to some extent based on what we were doing

before, so a typical example would be you need to be much more circumspect when you choose day one and day one at any new projects for the US market. So it is not the same way as we have delivered in the past and then we have added a few other projects where we think that there is an

opportunity for us to available. So it will be sometime before they come. The best-case scenario will

take us about let us say 18 months to file them any products chosen right now.

Neha Manpuria: Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Chirag Dagli from HDFC Mutual Fund.

Please go ahead.

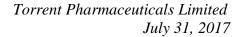
Chirag Dagli: Thank you for the opportunity Sir. Sudhir can you quantify the one-offs in the fourth quarter. I

remember you had quantified the one-offs in the raw material cost for the third quarter especially from the Romania inventory right off. Can you quantify similar number for the fourth quarter of

FY2017 also?

Sudhir Menon: I think what I said is very high price erosion, which is being seen in US and that is the primary reason

why the gross margins have further gone down by 2% versus Q3.





Chirag Dagli: Okay so there was not any Romania related hit in the fourth quarter?

Sudhir Menon: No it was more in the third quarter.

Chirag Dagli: On the US market are you seeing some of the older well genericised products also come up for re-

negotiations in pricing with customer?

Sanjay Gupta: In the market dynamics, I would say that that is correct.

Chirag Dagli: Okay so those are also coming up for discussion and have you quantified the Novartis sales, the

Novartis brand acquisition?

Sanjay Gupta: We had some material during this quarter that is the reason why; it does not seem to show any other

figures.

Chirag Dagli: But what would be the IMS number as per last year or if you can give us some context?

Dhruv Gulati: For Novartis Registerone, which we have acquired the last quarter the reported number in AIOCD, is

about 7.6 Crores while on MAT basis it is about 31 Crores.

Chirag Dagli: So that is one product, there are two that you acquired?

Dhruv Gulati We had taken the distribution rights of Evalon?

Chirag Dagli: Okay so there is only one product for the sales of which?

Dhruv Gulati Of stand which we are required and Evalon we have got the distribution right and the sales registered

in AIOCD for that was about 5 Crores.

Chirag Dagli: MAT?

Dhruv Gulati MAT.

Chirag Dagli: What is the reason to keep cash as well as debt on the book? I can see that are effective cost of

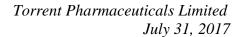
borrowing is about 9% to 10%, certainly that kind of spread we cannot have in our investments is

there a specific thought why are you building this large cash shift?

Sudhir Menon: I think, as far as the cost of debt is concerned whatever you have indicated is lower than that. The

second thing is internally as a company we have a liquidity policy, which says keeping particular level of cash at any point in time so that if something goes wrong at least you have the cash to take

care of the normal operations of the business. The third is that for certain strategic purposes we would





like to continue with holding on to some of the cash as well and then over a period of time we will take a call what to be done.

Chirag Dagli: So for some to time to come this thing will continue accruing cash and then similarly debt will also

remain at this level?

Sudhir Menon: Yes whenever there is an opportunity and we feel that we have something to prepay some of the debt,

which we have done in the past as well, so last year we prepaid a small amount. So if we see some

opportunity of this that comes in we will use the cash for prepaying it.

Chirag Dagli: Thank you so much.

Moderator: Thank you. We will take the next question from the line Saion Mukherjee from Nomura. Please go

ahead.

Saion Mukherjee: Thank you very much for taking my question. Sir just question on the US based on your commentary

you seem to suggest that there are no meaningful launches this year. How should we think about

fiscal 2019?

Sanjay Gupta; I was saying that there are no day 1 launches this year and as mostly the products that we are

launching they are in the generic space. They have already genericised but some of them, which I had already indicated, the names are fairly substantial of opportunities so product like Fluvoxamine for example is a large product. There is only two players in that. We just recently launched Celecoxib and discontinued to be fairly large product and/or I would way fair market share on that product also. So although the product could be generic but they also have substantial size and then we will gain our market shares so that should have an impact on the business. Next year again we should have a lot more I would say more hopefully limited competition for product launches. I specifically look as a

launch stand in the past year but we have been filing near about 15 to 16 now it is about two years by that time next year starts. We should have about 15 launches by that time so you start having launches

of products, which we filed last year so some of them on the interested in derma for instance and some of them would be limited competition, so we will start seeing the impact of our R&D from next

year onwards in terms of number of launches and the complexity of launches.

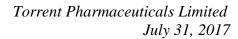
Saion Mukherjee: One question on your comment on pricing just to understand it a little better, you mentioned that the

products where there is limited competition like 3-4 players you have been able to see good pricing sustaining. So, is it that the older products which is already genericised with multiple players in the

market we have seen more than 10% erosion is that how the dynamics is playing?

Sanjay Gupta: I would say yes because the older products, which had a large number of players the buyers, have

been able to kind of leverage their purchasing power and consolidated power to say that if you want





stay in this game the rules have changed that has a direct impact. It has two impacts. It has one impact because immediately you have to adjust for shelf stock things like that then it has an ongoing impact.

Sion Mukherjee: Thank you Sir. Thanks a lot.

Moderator: Thank you we will take the next question from the line of Chirag Talati from Kotak Securities. Please

go ahead.

Chirag Talati: Thank you for taking the question, just one question really. On this fourth quarter gross margin if I

understand it currently you are seeing higher than expected pricing pressure but unless it is related to a charge back or one off provision it should ideally flow in even into 1Q 2018 so am I missing

something here?

Sanjay Gupta: I think you should consider the product mix, I would highly recommend that you take IMS figures for

core markets and just look at the top ten products and just it evolves over a period of time you will get

a good picture.

Chirag Talati: Yes but QoQ 500 basis points mix will not be explained by looking at IMS on product specific basis,

it just one kind of adds up mathematically?

Sanjay Gupta: There is no other answer besides saying that it is the product mix.

Chirag Talati: Let me put it this way, you were saying specific charge back that you booked in Q4 on Aripiprazole

or any other products?

Sanjay Gupta: No.

Chirag Talati: Thank you.

Moderator: Thank you. We will take the next question from the line of Gagan Thareja from Kotak Securities.

Please go ahead.

Gagan Thareja: Good evening. If I recall it correctly in Q4 you sort of guided that Brazil and Germany you could do a

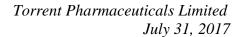
mid teens growth this year. Both the markets have had 8% growth in the first quarter; you offered some explanation on Brazil. So is it fair that to assume that your previous guidance on these two

geographies will hold irrespective of the 1Q numbers?

Sanjay Gupta: If I look at the total business it comes to about 12% in Germany. I would say that there is no change

in Germany. We have been growing at 15% for the last five years. Every year it has been a steady

growth rate despite it being a tender market and security system and for Q1 local currency growth is





12% and you will see that there is not much deviation. I do not expect we are not changed the strategy and the market has not changed that dramatically that we anticipate any loss of trend of topline.

Gagan Thareja: In Brazil you indicated some sort of consolidation at the wholesaler level, the impact of that is already

through for you in Q1 or do you foresee this sort of continuing into another or more before it

normalizes up?

Sanjay Gupta: I do not think you should look at the wholesaler's consolidation in Brazil in the same way as you look

at it in the US. It is a branded market then our main business is generated to prescription from physicians and there is not of very high rate of substitution. Where it does play an impact is in trade inventories where the wholesalers at some point put pressure to buy especially before price increases in April where you see they would like buy a lots and lots of products and it is the same phenomenon every year. So, Q4 fiscal year for us anyway the wholesalers buy a lot because in April the government announces price revisions so they will do a bit of speculation and then Q1 they will draw down their inventories. It is back end for negotiation so because we would obviously like to sell less

in Q4 an more in Q1 at a higher price, so it is kind of tug-of-war.

Gagan Thareja: The impact of GST on your Indian sales is it equivalent across all therapeutic areas for you or have

you seen a marked difference in therapeutic areas growth after the GST implementation?

Dhruv Gulati: In fact the impact is seen across all major specialties.

Gagan Thareja; My question is that do you see any discernable difference for example would acute therapeutic areas

have seen far more impact on inventories in chronic?

Dhruv Gulati: No it has the same total on all the therapy.

Gagan Thareja: Your contract manufacturing business is sort of weak again this quarter. Any insight to what is

happening there and what should be considered as a sustainable rate of growth?

Sudhir Menon: Major portion is from Novo Nordisk and the growth for this year typically is lower because what has

happened is the plant is shut for some maintenance purposes hence the volumes are little lower but I think it is a very steady business and as far as the market is growing let us say 5% or 10% the

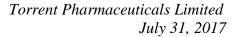
volumes will keep on growing and that is how it should be seen.

Gagan Thareja: Finally could you out the debt and working capital numbers?

Sudhir Menon: You have the annual report for 2016-2017, if you look at schedule 14, if I am not mistaken you will

have the number as at March 31, 2017 and then how the repayments are happening over the next three

to four years so that could be the indication of debt level.





Gagan Thareja: And working capital. You have the inventory days and receivable days?

Sudhir Menon: The inventory could be around 3.2 kind month of sale and receivables also should be around three

months of sales.

Gagan Thareja: Okay and payables?

Sudhir Menon: I do not have the number right now for the payables. I think it should in similar range if you look at

the annual accounts of 2016-2017 and you go to the MDA section, you will find the working capital

number of days and I would say nothing much has changed between March 31 and June 30.

Gagan Thareja: Thank you. That is all from my side.

Moderator: Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities.

Please go ahead.

Nitin Agarwal: Thank you for taking my question. Sanjay on the US business when you look at your portfolio as it is

do you see without any new launches do you see scope for further growing this portfolio, we have talked about market share gains as being key platform for growing a business in the new dynamic, do you see it is potential still growing the business, the current sort of products beyond the current levels

where they are?

Sanjay Gupta: Yes, I have lot ANDAs if you look at the IMS figures you will see several ANDAs where we are

showing a 0% market share. So, typical product that would Duloxetine right now or Trazodone or Rabeprazole, so there are lots of products and Venlafaxine for example, Venlafaxine is showing zero growth. As my Dahej plant comes on stream and able to transfer products I would be re-entering these markets and some of these markets could be interested, so if you take a product like Trazodone, it is a

two player market or three player market where one player dominates by about 80% to 90% share so

some of that we can revive.

Nitin Agarwal: And on Dahej what is the status are we still getting approvals from that facility or you had any sight

transfers post the observation?

Sanjay Gupta: No issues.

Nitin Agarwal: So there is no issue on that front. Secondly, on one more plan of this Dahej facility was in terms of

improving the volumes in Europe, how is that playing out? Has it begun to play through in terms of

release of capacity giving you more headroom to grow in Europe?





Sanjay Gupta: So far as Dahej specifically will continue to focus on the US. The plan for Europe is essentially the

other facilities and we will have more streams available as we move products to Dahej. We got

approval for Dahej from Brazil as well as Europe but these not initiated the site transfers to Dahej.

Nitin Agarwal: Lastly, given the new challenge that have been there in US is there a sort of rethink in terms when you

look into the export business in terms of the focus on the non-US markets of our challenge continues

as before in terms focusing on those limited few markets?

Sanjay Gupta: We have two-tier strategy let us put it this way. Our first tier is all the four big markets so India is the

first top priority followed by US, Brazil and Germany so those are our Tier I markets. We also have upcoming markets, which we have classify as focus markets typically we have markets such as the Philippines, we have Mexico, we have UK, we have Sri Lanka, we have Malaysia, we have Kenya. So we have Tier 2 markets let us say about 7 to 10 markets for the company as a whole which we are building up for day after tomorrow but our main point is that all the four, Tier-I markets we still

consider ourselves to be subscale with substantial room for growth.

Nitin Agarwal: Thank you and best of luck.

Moderator: Thank you. We will take the next question from the line of Abhishek Sharma from IIFL. Please go

ahead.

Abhishek Sharma: Sir, just two quick questions; first is on capex, what was the number last year versus what are you

planning for this year and where would it be deployed.

Sudhir Menon: I think Abhishek this year it should be around 400 Crores on an average and FY2019 should be at the

similar range.

Abhishek Sharma: Last year it was 1000 Crores?

Sudhir Menon: No, it was not 1000 Crores. I think it was close to 550 or 600 Crores.

Abhishek Sharma: This is going into Dahej II and the new oncology facility, right?

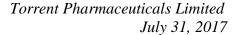
Sudhir Menon: No. I think the major portion would be going into the Sikkim expansion, which is happening and we

also have the Onco facility.

Abhishek Sharma: Dahej II is not coming up even in FY2019?

Sudhir Menon: No, because we will have to see how the capacity picks up and then we will think about it.

Abhishek Sharma: Sikkim is nonregulated market?





Sudhir Menon: Yes, it is only for domestic market.

Abhishek Sharma: The other thing is on your ANDA strategy we have seen acquisitions like Zyg and Glochem going

forward what could be the strategy there for you on M&A?

Sanjay Gupta: We continue to be interested in the external growth topline we remain very bullish, so any

opportunities in India of course we will evaluate first and foremost followed by US business and so we continuously evaluate the opportunities. Our sweet spot is in the sub-half a billion-dollar scheme so we are going see at multibillion-dollar acquisition. So we have now that is why interesting part of

our strategy.

Abhishek Sharma: But you would still continue looking at acquiring something in US for the pipeline or for

manufacturing?

Sanjay Gupta: Essentially we actual feel is that we are selling only tablets and capsules so we need to diversify our

dosage forms that is the topmost priority for me and secondly on a strategic basis all our business starts seems to be concentrated around three or four retail customers because we have ways to get into

the hospital market that will be interesting for us also.

Abhishek Sharma: That would be through acquisitions of readymade pipelines or facilities how are you thinking about

that?

Sanjay Gupta: We are thinking about businesses. The businesses could be system, revenue and pipeline and we have

to look at as a business with balance between current and future revenues not just plan.

Abhishek Sharma: Thanks.

Moderator: Thank you. We will take the next question from the line of Rahul Sharma Karvy Stock Broking.

Please go ahead.

Rahul Sharma: Which launches that we do in this quarter and which are the sizeable opportunities among them for

the US market?

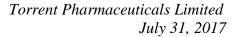
Sanjay Gupta: As far the US market we did about five launches year-to-date. So the five launches that we have done

are Olme, Olme-Amlo and Olme HCTZ, Celecoxib and Darifenacin. So in these five if you look at the market sizes I would say that Celecoxib is probably the biggest at about 400 millions so that will

be a big deal in terms of overall market size and the others are fairly small.

Rahul Sharma: Okay, Olmesartan and HCTZ and which other Celecoxib and?

Sanjay Gupta: Darifenacin.





Rahul Sharma: Thanks.

Moderator: Thank you. We will take the next question from the line of Nimesh Mehta from Research Delta

Advisors. Please go ahead.

Nimesh Mehta: Thank you again just for giving this opportunity. Just wanted some more clarity on the Dahej related

volumes that we are likely to see, we had been talking about shifting the ANDAs facility and hence increasing volumes both in US and Europe, so when do you think this will materialise in a significant

manner now that we have EIR's of Dahej?

Sanjay Gupta: Highlighting by April 2018 we would expect about 20 products. The issue we face is that for the

sustained release products is due to the bio-studies and we also need to file kit. So it will be a little bit

longer before that portfolio gets transferred to Dahej and the process is along its way.

Nimesh Mehta: Okay so you have got a target to have 20 products shifted to Dahej those only largely existing

products, right?

Sanjay Gupta: No first is IR and then the SR sustained release products would start filing them in this year but the

approval would be PAS.

Nimesh Mehta: Okay and we have already filed nine is what you said?

Sanjay Gupta: We have filed eleven, nine are through, two are pending approval.

Nimesh Mehta: Finally when do you expect launches from the Zyg Pharma acquisition in this year or next year we

need the time how many?

Sanjay Gupta: So as far as right now we have filed two products. We expect approval in this fiscal year and we

expect to file a further four products this year which we would hope to launch next year.

Nimesh Mehta: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Ritesh Rathore from |UTI Mutual

Fund. Please go ahead.

Ritesh Rathore: Sanjay at the cost of repeating this gross margin thing just if I compare on year-on-year basis your

gross margins are down 75 BPS and if I see tailwind or headwind to this gross margin your US business is down 35% price erosion to be one factor and Rupee has appreciated which would have pulled down your gross margin. India business is down 10%, which would have also pulled down the

gross margin. The tailwind, which I see to gross margin, would be price hike in India business and a





NLEM portfolio price hike in Brazil what else would have explained such a less decline in gross

margin?

Sanjay Gupta: I think of course you are referring to the period when we have Aripiprazole so it is a different ball

game today.

Ritesh Rathore: Yes so in spite of that erosion your gross margin declined at 75 BPS why it is so less?

Sanjay Gupta: We are fairly opportunistic in our pricing so wherever we feel an opportunity we take all this pricing

some other competitors are having some issues and for certain products I have had good sales not because of something which I had done besides having good quality product available on a ready basis in our warehouse in US but because of peer company is having some issue. So that has resulted in us remain some fair deal of contract as well as one-time business supply opportunities. It is just what we do as a matter of policy is we always keep four to six months of finished products stock in

the US and we keep six months of API stocks in India. So essentially is what that allows is that when

pressure in US but sometimes the opportunities do present itself and there is shortage in the market or

our friends have some issues we are able capitalise on it and that is part of the exponential.

Ritesh Rathore: So would it be fair to assume that last year the product mix in US versus last year same quarter

product mix versus this quarter's product mix is better than in gross profit?

Sanjay Gupta: It is a different product mix so what is interesting about our US business if you take the last five

quarters or six quarters and just compare the sales by products it changes on quarter to quarter. So it is not very constant that this product always comes out on top or the second product is always the second. So it changes are the pulse of the market and we have been fairly I would say part of all this in terms of being wherever we get an opportunity to make a Dollar we would be able to capitalise on

it. So it is not been a stable product portfolio from that perspective.

Ritesh Rathore: So primarily the support to margin would have come from the product mix change in US that would

only be the key tailwind to the gross margin?

Sanjay Gupta: That is the part of the explanation but another part is of course the price increase in Brazil so we had

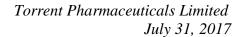
this year about.

Ritesh Rathore: Yeah, that is a 3% year-on-year right.

Sanjay Gupta: So that is the price increase there and then also I would say product mix in Brazil is becoming more

favorable in time because we have good traction in Olmesartan in Brazil, we currently had a 12% market share and there we have first branded generic on the market so that also supports the total

pricing and support at the GC level but given that the marketing investors the bottomline that we are





looking for is, that is what Sudhir was saying that, we would call it business as usual. We do not think of this as onetime impact so that all our businesses sometimes the product mix and the territory mix results in a better growth margins.

Ritesh Rathore: Thank you so much.

Moderator: We will take the next question from the line of Chirag Dagli from HDFC Mutual Fund. Please go

ahead.

Chirag Dagli: Thank you for the follow-up. On the filing that will happen in FY2018 how many of those will have

our API Sir?

Sanjay Gupta: I do not have the exact answer, generally speaking in our products we are not API company, but we

do have free captive API plants and roughly today about 40% of our products have our own API but

specifically this year current year's filing I do not have it on the top of my head, sorry.

Chirag Dagli: Sir, do you see this dramatically changing as of strategy as the US base load of business gets more

competitive, having your own API as a key component to be sort of competitive in that market?

Sanjay Gupta: In our view we do not need to change that.

Chirag Dagli: Sir, last question was on the Germany margins, how have margins behaved over the last three or four

years in Germany, are they stable, increasing, decreasing?

Sanjay Gupta: I would say they have been stable to generally declining so what decline I will give factors that push

in one in direction but I will also give you some factors which push in the other direction, so the factors which are leading to margin decline is that we used to have a lot of sales, which used to come before the products enter into the tender because German tender I would say insurance companies or the state fixed point as they are know, have become smarter and now products that go generic enter into tenders in a much faster pace compared to the past. As a result of which obviously we face margins pressure. Also what they are doing is they are going from single tender to three tender, three linear model, which means that our ability to move our share is lower so on the other hand our OTC

business in the Germany is hopefully doing well and that has the EBITDA margins. So I would not

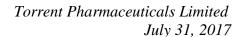
say that on the whole it is stable to generally decline it over the last few years.

Chirag Dagli: Is there any distributor overlap between Germany and US?

Sanjay Gupta: I mean, Makesan is a big company in Germany but the business models are very different because in

Germany distributors are like physical distributors they are not sensible to buy and sell.

Chirag Dagli: So there is not any synergy between having a business in US and despite having the same customer?





Sanjay Gupta: No, I think the business models are totally different and the person who decides to purchase from

pharmaceutical is totally different because in Germany it is a fixed funds, and in the US for generic

they are basically either the retail chains or wholesalers or long-term care.

Chirag Dagli: Did you indicate in your earlier comment that in Brazil 50% of the market volume is one large

wholesaler?

Sanjay Gupta: Yes.

Chirag Dagli: Who is that Sir?

Sanjay Gupta: That is a UK Company called Santa Cruz.

Chirag Dagli: Santa Cruz. Thank you Sir.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their

closing comments.

Sanjay Gupta: Thank you so much for attending conference call and we look forward to hearing from you. Sudhir is

available always to answer any ongoing question. Thank you and good night.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference

call for today. Thank you for joining us. You may now disconnect your lines.