"Torrent Pharmaceuticals Limited Q4FY23 Earnings Conference Call"

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MANAGEMENT: MR. SUDHIR MENON – CHIEF FINANCIAL OFFICER & EXECUTIVE DIRECTOR, FINANCE
MR. SANJAY GUPTA – EXECUTIVE DIRECTOR, INTERNATIONAL BUSINESS

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY23 Earnings Conference Call of Torrent Pharmaceuticals Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhir Menon – CFO of Torrent Pharmaceuticals Limited. Thank you and over to you, sir.

Sudhir Menon: Thank you. Good evening and welcome to Q4 FY23 Earnings Call.

Quarter 4 continued to witness robust growth in branded generic markets, aided by market share gain, performance of the top brands and new launches. The branded generic market, which now constitutes 70%+ of the total revenue, has grown 20%+.

The Scheme of Arrangement for amalgamation of Curatio is approved by NCLT, and pursuant to this, the business combination has been recognized w.e.f. 14th of October 2022, which was the acquisition date or the appointed date. The financials now reflect the effect of amalgamation, effective 14th of October 2022. Curatio is now fully integrated into Torrent.

In terms of financial performance during the quarter, revenues were Rs.2,491 crores up by 17% year-on-year. Gross margins were at 72%. Operating EBITDA margins were 29.2%. This quarter, there was a one-time inventory write-off impact of around Rs.10 crores for one of the COVID product which we had. Adjusted for that, the operating EBITDA is 29.6% for the quarter. Operating EBITDA was Rs.727 crores and grew by 30% on a year-on-year basis. At the end of FY23, the leverage in terms of net debt-to-EBITDA stands at 1.55x.

The Board of Directors have recommended a final dividend of Rs.8 per equity share.

I now hand over to Sanjay for taking us through the performance of the various geographies.

Sanjay Gupta: Starting with India, the India revenue was at Rs.1,257 crores and grew by 22%. As per AIOCD secondary data, Torrent growth for the quarter was 12% versus IPM growth of 11%. For the full year FY23, Torrent growth was 16% versus IPM growth of 9%. Growth was aided by the strong performance of top brands and chronic therapies, new launch momentum and the growth rate synergies bolstered by the integration of Curatio portfolio. During the quarter, we have launched the Consumer Healthcare Platform with a dedicated trade field force to augment our distribution. Field force strength at the end of the year was 5,500. Consistent with the acquisition of Curatio and consistent market share gain in base business, the company's IPM rank has gained two ranks and now is the 6th largest player in the Indian pharmaceutical market. The rank in '21-22 was eighth and this is now currently is sixth. Torrent has 18 brands in the top 500 brands of IPM, with 13 brands more than Rs.100 crores. We expect our India business to continue current growth momentum backed by new launches, Curatio synergies, performance of top brands and gradual scale up of consumer healthcare platform.

Moving on to our international territories, starting with Brazil – In Q4, Brazil is the largest revenue territory outside India with revenue of Rs.318 crores. This presents a growth of 27%. Constant currency revenue is at BRL 201 million, up by 17%. As per IQVIA, for the quarter ending March '23, Torrent growth is 24% versus the market growth of 12%. For '22-23 IQVIA data shows Torrent growth at 22% as compared to market growth of 15%. We have launched seven brands in the last 24 months and as of today we have double digit market share in four of them. In '23-24, we plan to launch a further six brands – three in CNS and three in cardio. Brazil witnessed an all-round performance with market share gain in base portfolio. In CNS, we have 12 brands that grew faster than the market, out of which nine grew more than 10%. In cardio diabetes, we have seven brands that grew faster in the market, out of which five grew in double digit. In '22-23, Torrent added 36 reps to its CNS field force, bringing the total number of sales reps in Brazil to 295. Torrent continues to strengthen the pipeline with 14 filings and 12 approvals in '22-23. Our plan is to increase our portfolio coverage from the current 28% to 40% of CNS and CND therapeutic areas by '25-26. Our generics business is growing rapidly and now represents 12% of our sales.

For Germany – our Q4 revenue was at Rs.253 crores, up by 16%. Constant currency revenue was EUR29 million, up by 11%. Since the last two quarters, Germany has been witnessing steady sequential recovery driven by new tender wins and growth in the OTC segment. Incrementally the company has won certain tenders, which shall complement the recovery trend in future quarter starting in H2 of '23-24. In '22-23, we have launched more than 10 new products in Germany and a similar momentum will be maintained in '23-24. We have also increased the size of our OTC field force in Germany. Torrent focus areas will include cost optimization to improve our competitiveness in the tender segment, launching new products and developing its OTC segment.

In the US – our Q4 revenue is at Rs.280 crores, down by 1%. Constant currency for US revenue is at $34 million, down by 9%. Growth was impacted by the price erosion of the base portfolio and lack of new launches, pending inspection of facilities. USFDA recently inspected the Dahej facility and issued a Form 483 with two observations. None of these observations are related to data integrity, and there were no repeat observations. We have also received approval for our first onco products from a new oncology facility. Our plan is to continue to file two to three onco products every year. Torrent's focus areas for the US shall include getting clearance of its US facilities, continuing to strengthen our product pipeline and building a niche portfolio with a focus on profitability.

To conclude, I would like to say that we expect to further deepen our presence in branded generic markets, aided by Curatio integration, new launches and foraying into new therapies and new divisions. Germany shall continue to witness recovery, continued recovery trend aided by incremental tender wins and OTC expansion. And until the clearance of our US facilities, our US focus will continue to be able to maintain a niche and profitable presence.

Operator, we can open the call to questions now.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: A question on consumer platform. So, if you could just give us some broad color apart from Shelcal, what are the products added or what is the plan ahead in terms of portfolio and what is the field force today on this?

Sudhir Menon: So, Prakash, we've just done a pilot study on one brand which is Shelcal, wherein we've invested in the advertisement in four states. And probably would take it Pan India in the coming year. That's the basic plan. We've also identified a couple of more products, but we'll start talking about it when we actually work on those products in '23-24. I think, in terms of the field force, which is basically the logistics support and ensuring the distribution reach, it's a combination of third-party services plus in-house managers or executives who would manage this. Total combined put together, we are talking about roughly around 250 to 300 foot on the ground.

Prakash Agarwal: So, any colors, you will be adding on what kind of products or what kind of brands you will be adding in future?

Sudhir Menon : Something similar to Shelcal, I would say, Prakash, another product which can be thought of as Unienzyme. But as I said, I mean maybe one or two quarters down the line, we'll provide you with more colors on the number of products, which would get added from here on.

Prakash Agarwal: And what's the differentiator here in terms of pricing, it is OTC so anybody can take it, so it will lead to higher savings in cost and better margins or what is the game plan here?

Sudhir Menon : So, you're right, ultimately the end price doesn't change, right, I mean for both the segment, the Rx segment as well as the CHC segment. But as I said, since this is the first quarter we are getting into this platform, as we go forward, things will become much clearer, I would say. But you're right, I mean, at least as far as the discounts which we see in the channel, which is approximately 30% for Rx could be lower, I would say, as far as OTC is concerned. But as I said, we'll have to wait for one or two quarters of performance before we can really confirm, whether there's a possible upside coming from this channel.

Prakash Agarwal: And on the R&D, it's inched up a bit maybe due to rupee-dollar, but where are the efforts now since US is sub-scale now, $35 million, so what are the top three focus areas for our R&D investments?

Sanjay Gupta: Essentially, the top three focus areas includes our branded generics market. So, we are doing a little bit incremental innovation products for India. We're doing a larger portfolio, so between 10 and 15 products a year for Brazil and then we're also doing oncology on a global basis. So, there are projects which will work for US, Europe, Germany and also for the out-licensing business in Europe. So, these products are consuming more resources than before. And then there are a few US specific products, I would say about five to six that are going to be taken up every year. So, it's a less US-intensive and more global and more branded generic orientation.

Prakash Agarwal: And when you said oncology in your opening remarks, two to three products every year, you meant for global markets, like India, ROW.

Sanjay Gupta: All the products will be for global markets.

Prakash Agarwal: And currently you have any portfolio which is in the market and also in ROW and other markets?

Sanjay Gupta: So, we received the first approval from Bileshwarpura, which is the site of the new plant, recently, and this product will be launched in the June, July timeframe.

Prakash Agarwal: That is across your ROW markets?

Sanjay Gupta: No, it'll be first launched in the US and then subsequently in other markets.

Moderator: We have the next question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Just on Dahej, now that it is the two observations. So, how to think about the product approvals per se? I mean, there would be good number of products where CRLs should be primarily on account of compliance not being in place?

Sanjay Gupta: You are right. So, essentially it's still a few months off. So, we have to respond to the concerns of the FDA on the two observations and then hopefully we would get the EIR in about three to four months after that and then new approvals will only come three to four months after the EIR has been received, so we are talking about at least a six, seven-month lag from today. So, what you would see is that the current portfolio that has been filed from Dahej can be divided into three buckets. The first bucket is products which would get approved, but which have still some economic value left. So, I would say others have launched it, but there is still enough pricing power in the market for us to make sense to launch these products. So, these will be single digit number of products. And then the second bucket would be products which are not economically viable. So, these products, because there is too much competition and the pricing has gone down to a point where it makes it non-lucrative to launch them. So, again, these will be a high single digit number of products which we will not launch. And bucket #3 from Dahej is products which were anyway scheduled to be launched in 2024 or end of 2025 and these will be launched on time. So, that's how I would see it. But it's a little way off.

Tushar Manudhane: Particularly Revlimid, if you could clarify, is it from Dahej?

Sanjay Gupta: So, Revlimid is not constrained by the plant issue. In Revlimid, we have a settlement and we will be in the in the third batch of people who launch. So, it's really not a concern about the plant issue for Revlimid. Revlimid is not made in the torrent plants anyway, it is made at a third-party.

Tushar Manudhane: And just lastly, if you could share Curatio sales and EBITDA for FY23?

Sudhir Menon: So, Tushar, I won't be able to share the EBITDA because as a policy, we don't talk about geography wise EBITDA, but in terms of performance, I can say in Q4 Curatio has grown at around 19%.

Tushar Manudhane: This was just from a reference that at the time of acquisition we had highlighted about or indicated about the overall sales and margins, which we would end up in FY23, so are we more or less on track?

Sudhir Menon: Yes, we are on track. Last quarter, I don't know if you were there, what we had indicated is there's already an improvement of margin by 4% to 5%. And now with the integration already happening or happened, you will see a faster margin accretion happening on this portfolio Curatio. So, whatever we've said, we are on track to achieve it.

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

Damayanti Kerai: My question is regarding India business. So, first, fourth quarter number if you can say like what is base business growth excluding Curatio and if you can split that base business growth into volume, price and new launches?

Sudhir Menon: Yes, I have the internal numbers with me. So, I think India business, we've grown at around 22% including Curatio. Excluding Curatio, it is around 15%, the base business. The breakup of the growth drivers for that 15%, would be broadly 3% is volume, 7% is price, and the rest is new products.

Damayanti Kerai: And in your opening remark, you mentioned that new launches will be one of key drivers for India business next year. So, what are your thoughts on volume and price contribution say for '24?

Sudhir Menon: I think we should be able to maintain at least 2% of volume growth going forward. But I think additionally, the new product contribution, we expect a higher share from the new product introduction is what we had communicated.

Damayanti Kerai: And price part, whether it will be similar to what we have seen in the prior quarters, etc., or there could be some change?

Sudhir Menon: No, I would not think so. It should be around the same number for the next year as well because we've already implemented the price increases for '23-24, so it should be around the same number.

Damayanti Kerai: And another question is now you have launched a consumer platform for India business which you spoke earlier. My question was a few quarters back, you launched trade generic business also, right? What is the status of that? And now like if you look at India bucket, what are your priorities in the Rx part and then the consumer part and then maybe trade generics, if you can talk about priorities in three buckets?

Sudhir Menon: So absolutely, I think as far as the base business is concerned, it's basically following what the market growth is all about, right, I mean and as per the historical performance, we try and beat the market by at least 200 basis points, so that's something which would continue. What we also expect is at least some of the new products which we have launched over the last two years has really done well for us and therefore at least for the next one or two years, the contribution from these products should inch up a little bit more I would say. So, that's an incremental growth which we see. We've carried out expansion of field force across many of our divisions that should start playing out now maybe in two quarters time. So, that should bring us some incremental growth is what we believe as far as the base business is concerned. I think as far as CHC is concerned, it's too early for me to comment on this at this point in time. All that I can say is that there's a pilot which we have done in four states for Shelcal and probably we are thinking of going Pan India for this particular product in '23-24. The initial response we see, is quite positive and encouraging I would say. Q1 of this year is also looking positive in whatever initiatives we have taken as far as the CHC platform is concerned. Trade generic perspective, yes, I think that segment is small today, but again parallelly growing along with the branded generic piece, I would say. So, not very large to talk about, but growing nicely I would say.

Damayanti Kerai: So, say like three to four years from now, Rx will still be like major part of your business, right? And these two will be I'll say going but still smaller segments?

Sudhir Menon: Absolutely. I think at least for the foreseeable future, that is how it should be.

Damayanti Kerai: And my last question is on your outlook for Germany. So, you mentioned about new tender wins, etc., So, should we look at current quarter sales as a new base, Rs.250, Rs.260 crores number?

Sanjay Gupta: In Rupees It's difficult, but in terms of Euro, I would say that €28, €29 million per quarter seems to be the base for the foreseeable future until new wins or launches kick in down the line.

Damayanti Kerai: And if I just can clarify, these tenders open up like every year or like how does that tender cycle work where you intend to participate?

Sanjay Gupta: So, there's about 50 to 75 tenders and they have a rolling opening and closing. So, the tenders which happen every quarter and the duration of each tender is two years. So, once you win or lose you are in or out for two-year duration, but it's happening all the time, there's a lot of insurance companies and each insurance company has multiple tenders.

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

Neha Manpuria: Sudhir, first on the consumer healthcare platform business, have we earmarked as to how much we want to spend on sort of growing that business given we want to take advertisement Pan

India, we're planning to launch more products? So what kind of spend do we think we can have in the consumer business?

Sudhir Menon: So absolutely, we've worked out a budget. I don't know at this point whether I can communicate that to you. What I can tell you is at least for the next two quarters, the spend will be similar to what we have done in Q4 of this year.

Neha Manpuria: But as we go Pan India to launch more products, it's fair to assume that the spend increases through the course of the year.

Sudhir Menon: Depending upon the outcome of what we do, at least for the next two quarters.

Neha Manpuria: In that case for the margins, given Curatio synergies have come through in this quarter, while there is operating leverage in India, how should we look at margin trajectory for the next year?

Sudhir Menon: I think, I would wait for Q1 to get reported to actually provide you a guidance. But as of now, as I see, there is nothing which can, I would say derail the existing margin which we have in Q4, But I would wait for Q1 to come in to provide full clarity on how the full year would look like.

Neha Manpuria: But is it fair to assume that with the Curatio synergies that you're still talking about, consumer platform spend remaining the same, hopefully a remediation cost for the US going away, there is scope for margin improvement next year or you would say you'd probably see one more quarter before you guide that?

Sudhir Menon: No, definitely there are margin improvement levers. I didn't say that. The only point I'm trying to make is let's wait for Q1 to be reported so that directionally it becomes very clear where we are headed for the full year.

Neha Manpuria: And last on the US business, historically we had mentioned that we are evaluating now with Dahej inspection done. When we say profitable growth with niche launches, does this mean we would scale down the business further from here or is it in the green, or at least in the black and therefore it's not burning money and we don't need to do too much in the US and keep it at the current run rate?

Sanjay Gupta: So, I think our strategy for the US is firstly to stop the bleeding which we think we will be successful in doing it through a combination of various initiatives including cost reduction, outsourcing, discontinuations. So, there's a complete effort to evaluate each SKU and to figure out what makes sense to keep manufacturing in-house, what makes sense to take it outside and what makes sense to reduce or are there any levers to reduce costs. So, that exercise has been undertaken and it will be an ongoing exercise. In terms of new launches from our own plants, as I mentioned earlier, there's still 6-9 months away. So, we have in-license portfolio. So, this year we will be launching three to four in-license products. we've already launched some niche products, so let's see what kind of traction they take. We will be launching our onco portfolio. So, I would say the idea in the US is to firstly keep the focus on the bottom line and keep the focus on launching new niche products from internal plants and more commoditized products from third parties or from partners. So, that is the way forward. I think in terms of top line, it'll give what will give. So, it's hard to kind of project top line for the US and to tell you where we would be. But definitely I would say the minimum threshold is in broad terms in the area where we are and I see us essentially progressing from here, provided of course we get the new launches.

Neha Manpuria: So, what I was trying to understand, Sanjay, is we don't need to let's say, rationalize our portfolio to at least stop the bleeding from the business, right, that part of it is done. So, last part of it would now come from past production and all of that?

Sanjay Gupta: Correct. So, the portfolio strategy is clear. We've already outsourced some products, we've discontinued others and this would be an ongoing exercise because as the price erosion happens, you need to revisit, right, you cannot just stay tagged. We don't need any more CAPEX for the US business, it's all done, the plants have the capacity and R&D expenses have already been scaled down. We basically did 5 ANDAs in each year in the last 12 months and then five before that. So, the part of resource allocation reorientation has already been done. But we will continue to find new opportunities in the US and to do opportunistic new products business development deals and onco products would be launched globally. So, if it works in the US, fine. If it doesn't, we will recover our costs and make money in other parts of the world.

Moderator: We have the next question from the line of Bino Pathiparampil from InCred Capital. Please go ahead.

Bino Pathiparampil: Hi, just a clarification on Revlimid. If I heard rightly, you said, you are set to launch with the third wave of launches. As far as I understand already, we have seen three waves. One was in last March, then in September and again in this March. And I believe there is a fourth round of launch is happening in September, October this year. So, are you alluding to that September, October wave?

Sanjay Gupta: No, later than that.

Moderator: The next question is from the line of Cyndrella Carvalho from JM Financial. Please go ahead.

Cyndrella Carvalho: Just to understand, the consumer health business objective, can you help us understand because at this point in time you said you have only one product and you would evaluate adding five, six more products to this. But can you help us understand the objective, is it because you want to focus more on the Indian market and given that our US business remains at current stage, so the idea is to go deeper in India and that's why we are evaluating this? Your thought process will be helpful.

Sudhir Menon: No, I think we've been thinking of this since long I would say. So, the first thing what we've done is, we thought of taking Shelcal as a product to OTC. That's typically because the new products under the Shelcal brand, which is Shelcal XT, has been reasonably doing quite well in the prescription segment, I would say and Shelcal 500 which is the biggest brand within the Shelcal Brand, I would say is now being taken to the OTC platform for getting high growth because I think the major share of Shelcal 500 has been taken by Shelcal XT. So, there's an opportunity for us to really expand the Shelcal 500 franchise, right. So, that's something which we have been thinking since long and we have done that in Q4 now. As I said, did a pilot thing in four states and would be expanding Pan India during '23-24. With this, I think we're already seeing positive signs in the initiative which we have taken for Shelcal 500 and there are total five products which we have identified as part of the CHC platform. But as I said that will start coming may be two quarters down the line once we see positive sign on whatever we do with Shelcal brand. So, that's the current thinking I would say. But I think to really talk about how this is going to look at over a three-year period or a five-year period, it would be a little early for us to really guide you on that. So, I would say the correct time would be maybe three quarters down the line, when we get a sense of how this initiative is doing, we'll start talking more about it and give you more clarity on what we are thinking about on this platform over a period of three to five years I would say.

Cyndrella Carvalho: And would it be considered easier to move to a OTC platform in India or you think that is that is getting easier route nowadays or it is still taking time for taking products to the OTC site?

Sudhir Menon: So, as I said, as long as you are able to generate good growth from the prescription segment, why would you get into OTC, right? I mean, so I think basically it's very important for you to establish a brand in the prescription segment, which has an endorsement by the doctor. I mean so larger the brand you make, there's already an endorsement by the doctor, which then you start thinking of taking it to OTC for getting a better access I would say and making the brand bigger. So, that's something which we thought and started off with Shelcal I would say.

Cyndrella Carvalho: And any update on Indrad, what is like after the OAI have we interacted with the agency?

Sanjay Gupta: Essentially, we've already had the regulatory meeting with the agency and now we are expecting the agency to have another inspection of Indrad down the line. Until then we expect the status quo to continue.

Cyndrella Carvalho: And just one more from the Dahej point of view, you highlighted that six to nine months' time wait. But this seems like at least Dahej will be opening up again for the US. So, FY25, we should be able to see decent number of launches, you already divided the products in three buckets, I heard you, but I'm just saying from FY25 perspective, should we keep now U.S. market coming back?

Sanjay Gupta: Yes, I think there's just one caveat I would add. So, bucket #1, which is products with remaining economic value, and bucket #3, which were products which were anyway scheduled to be launched after '25. So, those we would be bringing on to the market subject to a revalidation of the market at that point in time, right, as to what the economics looks like. As of today, I can tell you that there's at least a high single digit number of products that we should launch. But I really don't know where those products will be, 12 months down the line, what the economics would look like. So, we would reevaluate, but yes, technically the door would be open.

Cyndrella Carvalho: One small clarification. Do you say FY25 launch?

Sanjay Gupta: Yes.

Moderator: The next question is from the line of Kunal R from Nuvama Group. Please go ahead.

Kunal R: So, my question is around the sales force productivity. So, in the longer run, do you believe that Curatio sales force could generate the same kind of productivity as your own sales force?

Sudhir Menon: Yes, absolutely, I think that's the objective.

Kunal R: So, let me rephrase my question in a different way. So, you have added 1,000 people of your own this year, Curatio added 600 more and Curatio's productivity will be around 4 lakhs I believe, right? Yet you have maintained a 29% kind of margin. So, without adding a single person, if I were to just add maybe a nine, nine and a half lakhs that you used to do earlier it seems there is a huge runway for domestic growth, top line book as well as margin. So, is it too simplistic calculation or is my understanding correct?

Sudhir Menon: No, I didn't get your question clearly.

Kunal R: Last year you had around 3,900 people, right and you generated some 4300 crores was kind of revenue and the productivity was some around over 9 lakhs last year, right? So, now it would have come off right? You would have added thousand more people of your own and 600 from Curatio, is that right?

Sudhir Menon: That's right.

Kunal R: So, your productivity would have now fallen maybe below 7.5 lakhs or so. So, if I were to assume that you go back to your historical levels of 9 lakhs and since the new sales force would still be sort of yet to contribute to those your historical run rate, it seems there is a huge runway for growth in the domestic business as well as at 29% of margins, there should be still some more upside in the next two to three years, is that a correct understanding?

Sudhir Menon: Yes, it's a fair understanding I would say, and you're right actually, the productivity has fallen down one notch I would say based on the expansion and Curatio new people getting added Curatio PCPM being very low I would say compared to our base business. So, I agree with you, I mean that's the way to look at, I mean having a double-digit growth from here for the next may be three to four years, should improve the productivity and improve the margin. That's one of the levers I've been talking about as far as the branded business, more specifically, India business is concerned where the productivity improvement improves your overall margins.

Kunal R: May be if I were to sort of do a crystal ball gazing, any kind of margin you would like to update for three years down the line that would be comfortable to give at this stage?

Sudhir Menon: No, we don't give any guidance. All that I try to say is that the branded generic business today for us is 70%-plus of our total revenue base. And there are two important levers which play out every year for us in terms of margin improvement. One is the price increases, which are quite similar I would say across all the markets we take. And the second is the operating leverage playing out. I think both put together on a long-term basis I'm saying there is a margin improvement potential of maybe 60 basis points to 100 basis points year-on-year.

Moderator: We have the next question from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just one clarification. So, Curatio margins last year were around 25%, 28%. So, when you mentioned it has increased 400 to 500 bps so it has crossed the company level, but it is still to touch the domestic level, is that understanding correct?

Sudhir Menon: Correct, Prakash. But it's above the overall company EBITDA number I would say.

Prakash Agarwal: There's a catch up to do till the domestic business margin?

Sudhir Menon: Absolutely. And now, since the integration has happened, it will happen I think at the earliest I would say.

Prakash Agarwal: Okay, and the second one was on the price hike. Sothe price hike impact comes late Q1 or it has already started to come in Q1?

Sudhir Menon: Yes, it happens in Q1 I would say maybe by May or June. It depends on the products inventory which we have at the point of taking price increases. But generally, we see a substantial part of it starts flowing from May and June.

Prakash Agarwal: So, why that cautious or conservative outlook on margin? So, we already on adjusted basis 29.5%. So, Curatio inching up and price hikes should take the margins to 30%+ for sure. So, why you want to see one quarter, I mean, what are we missing here, anything to be cautious of?

Sudhir Menon: No, nothing, Prakash. I'm not giving any guidance on the margins for next year. What I'm trying to say is that since there are new initiatives which have been taken, I just want to see what margins we achieve in Q1 which could be directional. But at this point, it would not be correct for me to give you any guidance for the next year.

Prakash Agarwal: And you mentioned Q4 expenses already account for the consumer business, which you expect similar quarters expenses in the following quarters?

Sudhir Menon: For the next two quarters at least, yes.

Prakash Agarwal: And just one more guidance or understanding on the two databases show divergent growth trends. So, AIOCD is showing flattish April data whereas IQVIA is showing 8%, 10% growth. So, I mean if you could just help us understand how has the growth trend been?

Sudhir Menon: Let me come back to you on this, Prakash, maybe properly analyzing it and then commenting on it.

Prakash Agarwal: And lastly on the debt reduction plan, what is the expectation for debt reduction for this year? And there's a fund-raising resolution, if you could clarify enabling resolution, you're still looking out for assets?

Sudhir Menon: No, I think it's enabling resolution which we take every year during the same time, right, I mean just to have a preparedness in case there's some opportunities, nothing on hand so far, so it's a continuing thing which we do every year, so nothing. I think on the leverage, on 31st March, we are at roughly 1.55x of net debt to EBITDA. End of FY24, we should be less than one I would say.

Prakash Agarwal: So, about 1,000 crores to 1,200 crores only?

Sudhir Menon: Correct.

Moderator: The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

Madhav Marda: When we guided for about similar price hike as last year, which was about 6-7%, does this come from taking price hike from the base portfolio or are some of the newer products priced higher versus the base portfolio so overall sort of price movement is positive, I just wanted to understand that?

Sudhir Menon: No. So, the price increase when we say 7%, we say whichever product is existing on the date when you take a price increase, so that becomes a basket for you. So, therefore on an overall basis, 7% is the price impact, which is going to come. So, the new products which are getting launched later on will have its own price depending upon the competition intensity which is there.

Madhav Marda: Generally, Torrent seems to be at the higher end of the curve when it comes to taking price hike. Is that just a function of our chronic portfolio or the kind of brands that we have, is that the right way to think or is there some other factor?

Sudhir Menon: Yes, all that I can tell you is that if you look at my covered market, you will generally find the market also taking similar kind of pricing hike.

Moderator: The next question is from the line of Mitesh Shah from Nirmal Bang Securities. Please go ahead.

Mitesh Shah: I just have one question on consumer business. We, in the past, also started consumer business with Unienzyme, then we closed down that. So, just recollect what went wrong and what we are doing differently this time?

Sudhir Menon: So, you're right. Unienzyme was an acquired brand from Unichem, right, which was under OTC. But when it came to us, I think what we felt is that it's very important that you have better doctor endorsement on these kind of brands before you take it to OTC and therefore we had taken Unienzyme to prescription platform compared to the OTC platform which it had in the hands of Unichem. I'm saying, now since the brand has reached a reasonable size, we feel this is the right time to now get into the OTC.

Mitesh Shah: And also, Curatio is one of the key reasons that we are looking to the consumer brand now that we can do the same platform for Curatio and the other OTC product or would be a different market altogether?

Sudhir Menon: No, I would say Curatio Health enables to create a bigger portfolio under CHC. But as I said, even without Curatio, we already had plans to look at the CHC on some of our products.

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

Sanjay Gupta: I would just like to thank all of you for participating in today's call and thank you very much and wish you a good evening. Bye-bye.

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