



Wockhardt Limited Q3 & 9M FY13 Results Conference Call Transcript February 15, 2013

Moderator

Ladies and gentlemen good day and welcome to Wockhardt Limited's Earnings Webcast and Conference Call. As a reminder for the duration of this conference all participant lines will be in the listen-only mode. To view the presentation participants are requested to be logged in to the webcast. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing * and then 0 on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Giri Giridhar – CFO, Wockhardt Limited. Thank you and over to you sir.

Giri Giridhar

Thank you good morning and welcome to the Wockhardt Limited earnings call and webcast. We have with us Dr. Murtaza Khorakiwala our Managing Director and Tushar Mistry – our General Manager, Corporate Affairs. We would like to begin the call with a brief presentation on the performance during the quarter and after which we will open up for question and answers. One request is that we would like to leave the questions and answers at a fairly high level and any detail financial questions we can take it from anyone offline with the investor relations team. Before we begin the call I would like to point out that certain statements made during the call may be forward-looking in nature and a disclaimer to this effect has been included in the results communication shared earlier. I would like to handover to our Managing Director.

Dr. Murtaza Khorakiwala

A very good morning to all of you and welcome to the earnings call for third quarter of 2012 – 2013. So, at a broad level I would like to just make a statement that by and large I think we are quite happy with the performance of the company in the current quarter and we are building on the growth and the substance that we have created in the organization over the last few years and if I can take you to Slide #4 of the presentation. I will give you a brief overview of the organization and then I will go specifics into the performance of the organization in the last quarter. So, today as an organization we have our global Company and we have direct operations in India, US and Europe and indirect operations via partners in Latin America, Russia and Africa. We have 7,900 associates employed in 21 countries. Slide #5 gives a sense of our manufacturing - we have twelve manufacturing locations globally of which nine sites are in India and three sites are abroad, one in Chicago, one in Ireland and one in UK.

Going to Slide #6 we have three research centers around the world, one in US, one in UK, one in India and over the last year or so we had initially one center in India but over the last year or so we have added two additional centers one in UK and one in US. Going to Slide #7, one of the things that

we have tried to create is a sustainable consistent business model for the organization in the years to come and this is based on three pillars of excellence that we tried to incorporate in our strategy - one is research, second is operational excellence and third is globalization. And I will go into each one of them a little bit in depth.

Going to Slide #8, our research strategy and our research thinking is basically based on three kind of product categories that we have. One are the generic products where we look at developing products which have a complex technology and are not easy to develop. Second are the products which are niche and there are not too many players and there is a limited competition in the market and the third is a blockbuster category of products which are very big and large products and which if we introduce we can get a decent market share.

The second category of research that we are in is the biosimilars which is the more medium term research horizon between four to six years and in the biosimilars we are focused in two categories, one is insulin and second is the monoclonal antibodies. And the third which is the longest horizon research planning that we are doing is a new chemical entity where we are primarily focusing on the anti-infective group of products and where we are developing these products and a couple of products, one product is in phase one in the US. Going to Slide #10, I have already covered that in my introduction where we have global operations in direct and indirect and going to Slide #11, this gives you a sense of how our organization has moved over the last three years from a geographical contribution point of view and if you see in financial year '11 US contributed 31% of our turnover whereas in nine months of the current year it contributes 50%. So that is a big change or the shift that has really taken place where the contribution of the business from US has significantly increased. And that has reflected in the good and sustained performance of the organization.

Going to the third pillar of our sustainable business model that is operational excellence on Slide #13, I won't go into the details of the same but I mean if we look at some of the metrics which are an indicator of a focus on achieving not only operational excellence but improving efficiency and effectiveness. If we see the gross margins which were 64% in the financial year '12 in the current nine months has moved to 68%. Our operating expenses which in financial year '08 was 40% has moved to 32% in the current year and our EBITDA margins which were 18% in the financial year '10 are now 37% and not only therefore as an organization we have grown but we have had a focus on profitability and we have had a focus on maintaining our operating cost and that is getting reflected in our improved EBITDA margins.

Coming to the quarter three results on Slide #15, the results discussed in the following Slides have been normalized for the following for all the previous comparative periods - that is nutrition business revenues and profits which we divested it last quarter in July and R&D cost where we have had a change in policy which we are expensing out. Going to Slide #16, if we see the sales growth for the current quarter over the same period last year is 26% where we have grown from Rs. 1,141 crores to Rs. 1,435 crores and where there is a quarter-on-quarter increase in the growth over the last year. Similarly, if we go to Slide #17 on EBITDA, EBITDA last year was Rs. 334 crores which has now moved to Rs. 545 crores showing a growth of 63% and our EBITDA margin which was at 29.3% has now moved to 38% and this is the 12th consecutive quarter of sequential growth of EBITDA.

Moving to the Slide #18, which shows the adjusted PAT, we have grown from Rs. 175 crores to Rs. 419 crores with a growth of 139% and our PAT margin has moved from 15.3% to 29.2% and this reflects a growth of 139%. Slide #19, where we are showing the quarter-on-quarter improvement of the health and profitability of the company and over the last two years you will see that our EBITDA percentage which in June '10 was 16.8% in the December quarter is at 38% and our fixed operating expenses, which were at 39.4% are now at 32.8%.

In Slide #20, the free cash flows from the operations in excess of Rs. 275 crores in third quarter of financial year '13 and for the years, for the nine months in the current year we have generated an additional free cash flow of Rs. 800 crores. The other thing is we will be exiting the CDR shortly and we have taken steps in that direction. The total debt during the current year - we have paid off Rs. 1600 crores of debt in the current year. The interest cost will be at around 4.2% on an annualized basis and at 3.4% for the last quarter because of a significant amount of debt that we have repaid there is a reduction in the interest cost and for the last quarter it will be 3.4% and currently our net debt to equity stands at less than 0.5.

Going to a brief summary of some of the businesses in various geographies that we have on Slide #21, the US business has grown by 45% in rupee terms and 26% in dollar terms and for the nine months there is a growth of 55% in rupee terms, 30% in dollar terms. During the last quarter we have launched 3 new products and in the nine months period we have launched 11 new products and some of the products that have driven the growth are Lansoprazole, Ziprasidone, Fluticasone, LEC and Entacapone.

Slide #22, our EU operations in UK and Ireland are strong and our UK business has grown by 19% in rupee terms at 4% in pound terms. In a market where there is no growth taking place and for the nine months we have grown at 25% in rupee terms, 7% in pound terms, 2 new product launches we had in the last quarter and for the year we had 8 product launches and we continue to be the number three generic company in UK and number two in the hospital segment. Our Irish operations have grown by 3% in rupee terms and have remained stagnant in euro terms for the current quarter and for the last nine months we have grown by 16% in rupee terms and 10% in euro terms and we continue to be the largest generic player having a 30% market share.

Slide #23, coming to the emerging markets. Emerging markets have grown by 15% in the last quarter and also 15% in the last nine months - the India business has grown by 14% in the last quarter and some of the restructuring and initiatives that we have taken in the Indian business have started showing some positive results and our emerging markets business outside India has grown by 18% in the last quarter. Slide #24, shows some of the recognition that the organization and leadership has got in the recent past and which is I think a testament to the positive perception and the performance of the organization, I won't go into details of each one of them but this is just a broad information that I would like to share with you.

Now going to Slide #26, we have done as we do every quarter, a peer positioning analysis and what we have done over here is the bar which is in the light color shows the information of the third quarter of financial year '12 and '13 i.e. the last quarter and the darker color bar shows the performance of the company for the nine months. So, if we look at sales growth Wockhardt has grown by 25.8% in the last quarter and 29.9% for the nine months and comparing it with various peers in the industry on a nine months

basis having a growth of 29.9% we are among the top three in sales growth. Similarly, if we look at EBITDA and if we look at our absolute EBITDA growth for the nine months that is 61% and for the three months it is 51% and in terms of the EBITDA growth on a nine month basis we are at 61% also amongst the top three in the industry. Similarly, if we look at our EBITDA margins for the three months our EBITDA margin was 38% and on an annualized basis it is 37.5% and compared to various players in the industry we are again amongst the top three in EBITDA margins.

Looking at PAT growth, for the three months we had a PAT growth of 101% against nine months 136% and if we compare with various peers in the industry we are amongst the top three. Going to Slide #30, with PAT margins of 29.8% in the last quarter and 30.5% for the nine months we are again amongst the top three as far as our peers are concerned. And therefore what we have tried to do over the last few years is deliver consistent profitable growth and therefore as an organization we are focused on two aspects of business, one is being sustainable and consistent in our performance and the second is high focus on profitability and value creation and this is based on the three pillars that we have, one is research where our research is at the strategic core of the organization that drives performance in the future and we have mapped out our research strategy in the short term horizon medium term and the long term. The second aspect is the reach of the organization and the globalization, through the globalization efforts where we are able to access markets in US, UK, Ireland and India, which continue to remain our focused markets US, UK and India and in various other markets where we are looking at alliances and partnership in emerging economies. And the third very important pillar of our performance is operational excellence where we are not only focused on growth but we are also focused on maintaining consistent operational and execution excellence and we focus on identifying high value opportunities and lastly we are always conscious in remaining a fit and a trim organization and with a focus on efficiencies also. So, with that I would like to conclude my management presentation and I would be happy to take questions at this point of time.

Moderator

Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Ashwin Agarwal from Akash Ganga Investment, please go ahead.

Ashwin Agarwal

I do believe in last three years this could be one of among the top and the largest turnaround in the history of corporate India and Wockhardt has done extremely well with these kinds of margins. Dr. Murtaza if you could add some color on your US pipeline because by far we have seen a run rate of around 140 – 150 million per quarter, how do you see its panning out over next two three years because we have seen a lot of good product launches by Wockhardt like Toprol, Lamictal, Flonase so going forward what could we see panning out in next two three years because US is by far the most profitable geography for our operations - so if you can add some color to it?

Dr. Murtaza Khorakiwala

I think you are right in the fact that US has been an important driver of our growth over the last few years and will continue to be so in the coming years. And as I mentioned in the presentation we are looking at creating a sustainable performance and we do that by developing a portfolio of products along various horizons of time which are niche products, which are blockbuster products and which are high technology products and complex technology products which are difficult to make and which is reflected in some of the launches that we have had in Toprol and some of the FTF

opportunities we have had in the last year at LEC and Entacapone and with that kind of a strategic focus I think that is the way we are looking at building the business and that is the kind of growth that we have achieved in the last year and something that we would continue to achieve in the years to come and US will always be an important driver for growth and that's why you would see that the organization is also able to deliver overtime sustainable performance.

Ashwin Agarwal Lastly could biosimilar both for emerging markets as well as regulated markets be the next big driver over the next three to four years?

Dr. Murtaza Khorakiwala

Yes biosimilar is in our horizon 2 that would be medium term horizon for the developed markets like US and Europe - we are looking at development of these products for the developed markets and these products we expect to launch in the next three or four years in US and Europe and that could be a driver for growth in that timeframe. But these products are developed for India and emerging markets currently and we are selling these products in India and emerging markets, but yes I mean from a medium term point of view in the second horizon this could be a good driver for growth for the organization.

Ashwin Agarwal Sir, at some point of time would you be looking at marketing alliances like what was announced for Biocon and other companies? Would you be looking at such kind of alliances for a front end in the regulated markets for the analogs?

Dr. Murtaza Khorakiwala

Yes, we are open to alliances and partnership in markets where we are not strong by ourselves and where we don't want to take a strategic position to enter that market, so there are various markets all around the world where we have absolutely no presence and we are looking actively for alliances in those regions. As far as US is concerned I think we have over the years built up a strong organization and a strong foundation and we would be looking at marketing these products by ourselves and various other markets where we are not present we would be looking at alliances.

Moderator Thank you. The next question is from the line of Bino Pathiparampil from IIFL please go ahead.

Bino Pathiparampil Your US business has grown 45% Y-o-Y in rupee terms. If I adjust for the dollar rate in 3Q of last year and this year the dollar growth should be about 36% whereas your press release says 26% where is the disconnect there?

Giri Giridhar Bino can we take this question offline that may be better.

Bino Pathiparampil Secondly in the third quarter there seems to be a 26 odd million jump in US revenues quarter-over-quarter, only big product which we know you have launched is Lamictal so what could be the major contributor to this quarter-over-quarter jump in revenues?

Dr. Murtaza Khorakiwala

Well, I mean you would have seen over the nine months we have launched number of products and not just one product and as these products get into the market and as our market share increases for these products you would find that the business would do well and there would be growth in the new launches that we have had this year, the current year we have had 11 product launches in the US in the nine months and for the last quarter we have had three new product launches so with a continuous pipeline of products that are coming, there is a growth that is taking place in the business.

Bino Pathiparampil So there is nothing exceptional all in this \$142 million?

Dr. Murtaza Khorakiwala

No, I wouldn't say so.

Bino Pathiparampil The margins for last quarter when they came at 38.5% you said that about 300 basis points is because of FOREX related gains and it might come down to 35 but this quarter again you have surprised at 38% so is it now looking like a sustainable margin 38%?

Dr. Murtaza Khorakiwala

Yes, I mean as far as our current business operations is concerned that is the kind of business profitability that we have and there would be some differences in product mix and business mix over time may be a few 2% - 3% percentage here and there, but I think yes as a business we have been able to develop that kind of a healthy business.

Bino Pathiparampil Can I just have the India sales number separately, India domestic formulations?

Dr. Murtaza Khorakiwala

Sale of India domestic for the current quarter?

Bino Pathiparampil Yes.

Dr. Murtaza Khorakiwala

It is Rs. 240 crores.

Moderator Thank you. The next question is from the line of Jigar Valia from OHM Group, please go ahead.

Jigar Valia Just to broadly understand the working capital cycle - should we assume to remain the same generally and not any significant change?

Dr. Murtaza Khorakiwala

Yes, I think broadly I would say that that kind of a working capital is maintainable and would remain around that same level.

Jigar Valia And Sir fair to assume the kind of cash flows like we are generating on a net debt to equity basis we should be nearly debt free by the end of the year?

Dr. Murtaza Khorakiwala

In terms of net debt I think we would be looking at being zero net debt in the next financial year and currently our net debt to equity is less than 0.5.

Jigar Valia If you can give some color from the cash deployment plans going ahead because there would be a lot of significant cash flow generation if we continue the current run rate also for next year, more particularly with our dollar resources.

Dr. Murtaza Khorakiwala

Right we don't have any plans or strategy as of yet in terms of cash deployment. We have not taken a view either way on that and so when we do take a view and we have a strategy in place at appropriate time I think we would inform you.

Moderator Thank you. The next question is from the line of Rahul Baijal from Bharti AXA Life Insurance, please go ahead.

Rahul Baijal Yes, you mentioned that you have repaid around in excess of Rs. 1,600 crores in debt. Can you also tell me the absolute net debt number as of December ending?

Giri Giridhar I will tell you the gross number, overall debt on the Balance Sheet was Rs. 3,200 crores of which the rupee loan was around Rs. 960 crores which is end of December and cash in hand on December '12 was around 2,000 crores and therefore net debt as on December 31st '12 was Rs. 1,200 crores and today's position is that because we have repaid some of the debts subsequently my gross debt is around Rs. 2,300 crores today and the current cash in hand is around Rs. 1,100 crores.

Moderator Thank you. The next question is from the line of Anand Bagaria from Finquest, please go ahead.

Anand Bagaria One question regarding the tax rates so it's very low in the quarter and any reason for the same and what kind of tax rate is sustainable on a longer basis?

Giri Giridhar No I think see the tax rate would continue in the present range for the current year. I think you should just assume that it will be there because we have had some of the old issues relating to losses and things like that so you just assume that it will continue in the present range, that's it.

Anand Bagaria And for FY14?

Giri Giridhar I think we will come back on that question.

Anand Bagaria And next question is regarding Toprol XR, so what kind of price cuts we have seen after Dr. Reddy's entry? - if you can just throw some color on that?

Dr. Murtaza Khorakiwala

See I think as far as Toprol is concerned it was contributing around 13% to 14% of our sales at the beginning of the year and since the last year Dr. Reddy's has come and Mylan has also come, but as of today we have been able to maintain our market share and today it contributes less than 12% of our sales because it has been well balanced with some of the new products that we have introduced in these nine months where we have had couple of FTF products as well as some of the niche products and Fluticasone - so it is very balanced and rounded portfolio that we have.

Anand Bagaria One more question on any inorganic growth in short-term, any opportunities to grow inorganically?

Dr. Murtaza Khorakiwala

We don't have any specific plan as of now.

Dr. Murtaza Khorakiwala

Thank you. The next question is from the line of Sriram Rathi from Anand Rathi, please go ahead.

Sriram Rathi Just two questions - continuing on Toprol XL, you mentioned that now it contributes less than 12% of your sales although you are maintaining your market share, I mean the run rate which you had in FY12, I mean, this year is it more or less same or it will be lower compared to FY12?

Dr. Murtaza Khorakiwala

As I mentioned we have continued to maintain our market share in the business and earlier part of the year it was contributing 14% and I correct myself right now it is contributing 13% of our top-line so it has not had major significant impact for the organization.

Sriram Rathi Okay because your total revenue has also increased so in that sense I was asking, so this year it will be a similar number or it will be lower than last year in terms of revenue figure?

Dr. Murtaza Khorakiwala

Yes, I think we are maintaining our market share in the market and also in terms of its contribution to the Wockhardt business, it is slightly lower than the beginning of the year but I think at even 13% it is quite healthy.

Sriram Rathi Your current gross debt is Rs. 2,300 crores you mentioned right?

Giri Giridhar Current.

Sriram Rathi And you are actually anticipating to become net cash company in FY14 during the year?

Giri Giridhar Yes FY14 net debt will be zero.

Sriram Rathi And can you just give me some guidance on the CAPEX which you are targeting for FY13 and FY14 full year?

Dr. Murtaza Khorakiwala

We are currently actually in the process of finalizing some of our financial plans for the next year but I would say it would be approximately around \$50 million.

Moderator

Thank you. The next question is from the line of Charulata Gaidhani from Quest Invest please go ahead.

Charulata Gaidhani

My question is on insulin, can I know the revenue from insulin and the market share that the Company enjoys?

Dr. Murtaza Khorakiwala

We are in insulin in India and a lot of emerging markets, more than 10 markets outside India. It would be difficult for me to give you an exact estimate of our market share in these markets but I think as an entire portfolio we are in more than Rs. 100 crores turnover for the insulin and analog business.

Charulata Gaidhani

My second question is on the research pipeline - how many projects would you have in Phase-2 or are entering Phase-3?

Dr. Murtaza Khorakiwala

This is regarding which product?

Charulata Gaidhani

I wanted the overall number of projects.

Dr. Murtaza Khorakiwala

I don't think we can give you a sense of our development portfolio and what stage these projects are in different stages of development but as I mentioned to you at a strategic level in the short-term we look at a portfolio of products for generics and we are targeting around 15 to 20 product launches for the US market in the current year and around 20 for the next year and for Horizon-2 and 3 we are also working on the biosimilars and anti-infective but with around 20 products in the US and around five products in UK and another 15 products in India we would be looking at, currently for the nine months we have launched 63 products globally so with that kind of product launch capabilities we will continue doing that as we go along.

Charulata Gaidhani

How big is your product basket in the US?

Dr. Murtaza Khorakiwala

We have more than 130 registrations in the US market.

Charulata Gaidhani

And launches?

Dr. Murtaza Khorakiwala

I think around 70 – 80 products we are in the US market.

Moderator Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse, please go ahead.

Anubhav Aggarwal Dr. Murtaza can you give some view on Wockhardt's presence in emerging markets let's say look forward in two to three years because in your presentation you mentioned that you are looking for strategic alliances in emerging markets rather than direct presence. Just wanted to get some color on why that view, why not a direct presence?

Dr. Murtaza Khorakiwala

Yes, as I mentioned from a strategy point of view what we thought is geographically we will focus on US, Europe some of the markets where we are present that is UK and the Indian market, so that is a strategic view that we have taken from presence in various geographies. And there our commitment is higher and our focus would be higher but that does not mean that we may not be present or we may not consider opportunities in some of the other emerging markets - though that is not our key priority right now. We are present in the emerging markets and our business on an annualized basis is around Rs. 250 to 300 crores and we are present in Russia, Latin America, Africa, and in Southeast Asia and these are markets that we will evaluate and we will work on developing as we go along.

Anubhav Aggarwal But most of these presence right now will it be your own front end or will it be again partnership base right now?

Dr. Murtaza Khorakiwala

Most of it is partnership based approach.

Anubhav Aggarwal If I take home point, the take home point is that simply in the near-term probably the strategic alliance what you have may be the way that you want to take it and probably at some point of time that you may, given opportunity, you want to look at your front-end opportunity as well in the market?

Dr. Murtaza Khorakiwala

Yes as of now I think we are relying more on our partners and alliances for tapping the emerging market.

Anubhav Aggarwal Can you give me number of ANDAs pending for Wockhardt right now?

Dr. Murtaza Khorakiwala

There are currently 34 ANDAs which are pending in the US market.

Moderator Thank you. The next question is from the line of Manoj Garg from Edelweiss please go ahead.

Manoj Garg Sir, just would like to understand in terms of like you see that you have 34 ANDAs pending pipeline, what kind of incremental launches you are building for next year and year after that in the US market?

Dr. Murtaza Khorakiwala

As I said we are looking at filing 15 to 20 ANDAs, 15 ANDAs for the current year and around 20 ANDAs next year and that is the kind of pipeline that we are developing so those are the kind of approvals and launches that we would expect in the US every year. Also we have 34 ANDAs that are pending so that kind of a portfolio of product approvals and launches, around 15 to 20 per year, will always be there.

Manoj Garg So, we do have visibility of 15 – 20 incremental launches year after year for next two to three years Sir?

Dr. Murtaza Khorakiwala

Yes that's right we would be launching that number of products every year in the US.

Manoj Garg Sir just getting a little sense on a qualitative aspects - out of these 15 or 20 ANDAs per annum, which you are incrementally filing and where you categorize that your focus will be on niche ANDAs difficult to manufacture and block buster, so what percentage of these ANDAs would be getting into this classification?

Dr. Murtaza Khorakiwala

I would really not know on an annualized basis, but I would say at a broad level more than 50% of our portfolio is the complex technology and niche products and that's how strategically we develop our portfolio.

Manoj Garg Coming to your bio-insulin project, have we started clinical trial for both base and as well as analog insulin for any of the direct markets?

Dr. Murtaza Khorakiwala

We are developing these products for the regulated market and we have started the clinical work for these products for US and Europe and as I mentioned this is something that we think we would be able to introduce three to four years from now.

Manoj Garg About the India leadership now since Mr. Iyer has moved to Abbott who would be heading the domestic business with us here?

Dr. Murtaza Khorakiwala

I would be personally looking at taking over direct leadership of the Indian business and there are a lot of consolidation in areas of execution that we need to work on, so I would be directly involved in the Indian business.

Manoj Garg Any view on this pricing policy - what do you see in terms of implementations and the impact of the same on Wockhardt and our strategy to counter it?

Dr. Murtaza Khorakiwala

We don't believe it will have a very significant impact on business as a whole, currently we have around 25% of our products in DPCO and around the same range of business would be part of the NLEM, so there some products which are currently in DPCO which should not be in NLEM and vice versa.

But at a broader level I think it would have the same kind of business would be under NLEM and there may be an impact of Rs. 20 – 25 crores on our top-line.

Moderator Thank you. The next question is from the line of Ashish Rath from Equirus, please go ahead.

Ashish Rath I wanted to understand if you could elaborate little on what is the current traction we have seen in the niche launches we have done in this year and also if I could understand sales contribution as to where they stand on some of the bigger products like Prevacid and Geodon and what kind of market shares you have been able to garner now?

Dr. Murtaza Khorakiwala

If we see the US business for the nine months we have grown by 30% in dollar terms and that is where the growth of the business is coming from the new products that we are launching and this year we have had 11 new product launches and since our strategy is basically to be focused on niche and complex technology products I think that is where we see the good growth in the business and we also have the ability to maintain a good profitability margin, so I think that gets reflected in our performance that we have for the current nine months and that is the kind of strategy that we are working on while we develop a product portfolio right from the planning point of view, we try to create portfolio that is slightly differentiated and with a high focus on profitability.

Ashish Rath If you could just help us understand what kind of market share we have been able to get into say Lansoprazole as on today or Ziprasidone and those numbers if you could just give us?

Dr. Murtaza Khorakiwala

I really don't have that information right now with me and also I think it is public information in the IMS where you may be able to access that and that is something that you can always look at.

Ashish Rath If you could help me understand the future pipeline so if you could name up few future big products opportunities with the management is betting on say for FY14 or FY15 in the US market?

Dr. Murtaza Khorakiwala

I don't think it would be appropriate.

Ashish Rath And just in the broader sense in EBITDA margins, with competition coming in for some of our niche launches which we have done in the past and the commoditizing say over some period of time - what is the sustainable EBITDA margin which you see for the overall Company in the next year or two and beyond that?

Dr. Murtaza Khorakiwala

As I mentioned we have developed fairly robust and sustainable kind of a business and the margins that we have as of now are something that may change a little bit on the product business and business mix 2% to 3% here

and there. But by and large I think that is something that we would be able to maintain. Also we have started expensing out R&D from the current year onwards, so additional R&D expenditure of 1% or 2% for the next year would be anticipated.

Ashish Rath

Sure and for UK geography if I may ask so what is the kind of product launches we can expect as a year-on-year run rate and what is the kind of growth rate that the management is looking at for FY14 – FY15?

Dr. Murtaza Khorakiwala

As I mentioned we are looking at a double-digit kind of growth for our UK business and in the current year we have launched 8 products in UK and I think on an annualized basis we are looking at launching more than 10 products a year.

Ashish Rath

In Ireland we have been saying that it's one of our key markets, but I just wanted to understand it has been stagnant, there has been no growth from this year perspective. If you can just help us understand what is the market dynamics like for that we are one of the largest players in generic market there, what is the kind of growth it is there in that market, what therapeutic categories we are present in?

Dr. Murtaza Khorakiwala

Yes, you are right, we are the largest player in the Irish domestic market, it's a 30% market share, but over the last year or so there have been significant changes that have taken place in pharmaceutical market in Ireland as Ireland is going through a difficult time as a nation economically, there has been a squeeze on the prices of the products and as a result of that there is devaluation of the current business but what we have been able to do very successfully is that we have been able to maintain our market share in the Irish market and as far as the Irish business is concerned we have a business that is in the Irish domestic market and from Ireland we have an export business and today the business in the domestic market is about 35% to 40% of the total Irish business where the export business from Ireland is growing significantly and is contributing more than 60% of the business and which is not affected by the economic challenges in Ireland.

Ashish Rath

Just an observation you said on the Toprol front, market share you have been able to retain, as a percent of sales for you it remains at 14 to 13, so does it mean that in absolute terms also the revenue number would be similar and implying that if we are retaining the market share, is there no price erosion in Toprol?

Dr. Murtaza Khorakiwala

Yes that's right we have been able to maintain our market share in the US market and the revenue for the current year, yes the price erosion will take place but we have been able to maintain our market share and as a result of that our contribution of Toprol to the overall business as of now is 13%.

Ashish Rath

So there has not been any meaningful price erosion is what is it fair to assume that in Toprol from our end at least?

Dr. Murtaza Khorakiwala

There has been price erosion in Toprol but overall I think it has got compensated by the product portfolio that we have and some of the market share that we have gained in US in the recent past.

Moderator Thank you. The next question is from the line of Anshuman Gupta from Citigroup, please go ahead.

Anshuman Gupta I had three small questions on biosimilars. Firstly, I just wanted to know at what stage we are in terms of clinicals for the human insulin trials that we are doing for US as well as Europe. Secondly, are we targeting the US first or is it EU that we are targeting first and thirdly any other products apart from the base insulin that have actually moved to the clinical phase for the regulated markets?

Dr. Murtaza Khorakiwala

I think at a broad level I can tell you that we are developing these products for US and Europe and they are in stages of preclinical and clinical development for the regulated markets. And this is something where we expect that we would be able to launch the product in three or four years and various products would be in various stages of development so that would be proprietary information and I would not be very keen to give that. But we are confident that in three or four years these products will come in the market and that will open up a huge opportunity for us in the insulin market because if we look at the insulin market in US and Europe, for the insulin and the analog it's more than \$10 billion market opportunity and that is something that we are targeting and we are focused and we are working on.

Moderator Thank you. We will take the next question from the line of Jigar Valia from OHM Group, please go ahead.

Jigar Valia Sir, you mentioned that the as on today the gross debt is Rs. 2,300 crores, can you give the gross debt as on today for India INR debt?

Giri Giridhar Gross debt today for India will be about Rs. 200 crores may be.

Jigar Valia I just needed some updates on few products for Tricor if you can give some update?

Dr. Murtaza Khorakiwala

I am not sure I have the details of product wise information.

Jigar Valia Just in sense that can something be expected in the near term or something because of the litigations or various developments which may happen, launch could possibly get delayed by more than a couple of quarters?

Dr. Murtaza Khorakiwala

Honestly, I really don't know product specific information.

Moderator Thank you. The next question is from the line of Ashish Thakkar from CIMB, please go ahead.

Ashish Thakkar Sir, you have said that we are expensing out the R&D from the current year, do you mean this quarter reflects the entire expensed R&D number?

Dr. Murtaza Khorakiwala

Yes that's right.

Ashish Thakkar And sir could you give us growth outlook on the India business because although small it's been critical for us?

Dr. Murtaza Khorakiwala

Yes I think we are expecting to get back to double-digit growth so in the first six months we had between 5% to 6% of growth but in the last quarter we have had 14% growth and I think we would be able to get back consistently on double-digit growth and would be able to maintain a growth at industry levels.

Ashish Thakkar We are bidding more on insulin in India business?

Dr. Murtaza Khorakiwala

No, we have a very good portfolio of products in Indian business. We are strong in the pain segment where we have a strong brand equity and franchise. We are having a good franchise as you said in the insulin, in the diabetes segment where we have insulins as well as various oral hypoglycemic products and then we have other products in the cardiovascular range and various other cough and cold range, infection - so we have a well-balanced portfolio of products.

Ashish Thakkar Great, Sir on the hedges front I understand we have no outstanding hedges as of now, am I right?

Dr. Murtaza Khorakiwala

Yes that's right.

Ashish Thakkar And when are we likely to exit the CDR?

Dr. Murtaza Khorakiwala

The CDR, we have made an application for exit and the committee has already approved it and we are in final stages of exit. So I believe in the next few weeks we should be able to exit.

Moderator Thank you. I will now like to hand the floor over to the management for closing comments.

Dr. Murtaza Khorakiwala

Yes, I would just like to conclude by saying thank you very much for being part of the earnings call and I am sure I would have been able to present to you the performance of the organization in the current quarter and over the last nine months and I look forward to coming back to you at the end of the

year and presenting our performance. Thank you for being on the call and have a nice day.

Moderator

Thank you very much sir. On behalf of Wockhardt Limited that concludes this conference.

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