



“Cadila Healthcare Limited Q1 FY18 Post-Results Conference Call”

August 11, 2017



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Moderator:

Ladies and gentlemen, good day and welcome to the Cadila Healthcare Limited Q1 FY18 Post Results Conference Call. 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 this conference call, 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. Ganesh Nayak – COO and Executive Director of Cadila Healthcare Limited. Thank you and over to you, Mr. Nayak.

Ganesh Nayak:

Good evening and welcome to our Post-Result Teleconference for the first quarter of FY18. We have with us, Dr. Sharvil Patel –Managing Director, Mr. Nitin Parikh – CFO, Mr. Tushar Shroff – Senior Vice President (Corporate Finance) and Mr. Vishal Gor – Vice President (Corporate Finance). Mr. Pankaj Patel had to leave due to some family exigency and that is why he will not participate in this call.

Coming to the key financial numbers, during the quarter gone by:

On a consolidated basis, our total income from operations was down 4% year-on-year to Rs. 22.3 billion. Our business in India got impacted during the quarter on account of the nationwide rollout of Goods and Service Tax Act (GST Act) with effect from 1st July 2017. This resulted in destocking of inventories by our stockists. Earnings before interest, depreciation, and tax was down 47% year-on-year to Rs. 2.77 billion. The EBITDA margin declined to 12.4% in Q1 FY18 as against 22.5% in Q1 FY17 and 18.4% in Q4 FY17. The EBITDA margin after adjusting for gross margins lost on sales impacted by the roll out of GST in India would be close to 18% that is the same as Q4 FY17. Profit before tax was down 65% year-on-year to Rs. 1.54 billion. Net profit was down 65% to Rs. 1.38 billion and net profit margin declined to 6.2% in Q1 FY18 from 17.1% in Q1 FY17.

Now, let me share some of the highlights of the operations for the quarter:

Our business in the US posted sales of Rs. 9.65 billion up 14%. We launched 3 new products during the quarter in the US. We received approvals for 18 new products including the generic version of Lialda® which is Mesalamine Delayed Release 1.2 gram tablets. We filed 2 additional ANDAs with the USFDA during the quarter.

Our India Formulations business posted sales of Rs. 6.37 billion down 19%. Our emerging markets Formulations business posted sales of 1,228 million down 8%. Our Latin American Formulations business posted sales of Rs. 509 million down 3%. In Brazil, we received approval for one more product from ANVISA. We launched one new product in Brazil during the quarter. Zydus Wellness Limited posted sales of Rs. 1.15 billion down 1% and net profit of Rs. 253 million up 15%.



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Our Animal Health business posted sales of Rs. 1.05 billion down 3%. On the Biologics front we received the marketing authorization from the DCGI to market Bevacizumab in India. We also received regulatory approval to market Peg G-CSF in Myanmar.

On the vaccines front we received regulatory permission to initiate Phase-3 clinical trials for 2 more vaccines and initiated Phase-2 clinical trials for 1 more vaccine.

On the manufacturing front both Moraiya Formulations facility and Baddi Formulations facility received the Establishment Inspection Report (EIR) from the USFDA against the inspection carried out in the month of February, 2017.

Our API plants located in Ankleshwar and Dabhasa successfully completed the regulatory audit by COFEPRIS.

So thank you and we will now start the Q&A session. Over to the coordinator for the Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Saion Mukherjee from Nomura Securities. Please go ahead.

Saion Mukherjee: Sir, can you quantify the impact of Sentyln acquisition in this quarter?

Ganesh Nayak: Vishal will give the exact details later on.

Saion Mukherjee: But there is an increase sequentially right.

Ganesh Nayak: Yes.

Saion Mukherjee: And sir, what is the GST impact you mention? Sir what is the impact because of GST this quarter?

Ganesh Nayak: The impact was for India and to give an apple-to-apple comparison, we give you that number of EBITDA which is 18%. And if you want more exact details, breakup, etc. Vishal will give it you later on.

Moderator: Thank you very much. We have the next question from the line of Mr. Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just trying to understand the number of approval that you spoke about 18 which is followed by another 10 approvals in the Q2. How many of them we have been actually able to launch it and what is the launch plan for the remaining?



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- Dr. Sharvil Patel:** So, we have launched about 3 to 4 of them but the majority of the launches are scheduled for the next 2 quarters.
- Prakash Agarwal:** I mean, I am just trying to understand here that most of the approvals would be launched or there are few which would be shelved because of the commercial and viability.
- Dr. Sharvil Patel:** There would be about 20%-25% of them which we would not be launching because of commercial reasons.
- Prakash Agarwal:** And in US Y-o-Y if we talk about the pricing pressure, what is the pricing pressure that we would have felt?
- Dr. Sharvil Patel:** Earlier we used to think it will be around high single digit, but I think it is around mid-to-low double-digit.
- Prakash Agarwal:** On a Y-o-Y front?
- Dr. Sharvil Patel:** Yes. But for us I think with the new launch coming up, I think the results will be little different for us.
- Prakash Agarwal:** And secondly on gross margins, I mean despite of big decline in the India business which apparently should come back, the gross margins have still steady at 60%. So what is driving this gross margin, is it the specialty US business or how should we read into that?
- Ganesh Nayak:** India formulation business being down we have a negative impact on gross margin. However, Sentyln business which is relatively higher gross margins has helped us to maintain that.
- Prakash Agarwal:** And lastly, if I may add one more on the fund-raising plan what is the plans now?
- Dr. Sharvil Patel:** Currently we are comfortable with the levels of our debt and EBITDA. So, we will evaluate it depending on some strategic acquisition opportunities or some other reason.
- Prakash Agarwal:** So, if we spot anything then only we are coming in the market.
- Dr. Sharvil Patel:** Right now, we do not have plans.
- Moderator:** Thank you very much. We have the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.
- Neha Manpuria:** First on the India business post the GST implementation data seems to indicate that recovery has been very slow. What is your view on the second quarter, will we see an improvement in



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growth rates in the second quarter or this will probably be now pushed to the second half if at all?

Dr. Sharvil Patel: See, if you look at external data for the last 3 months-4 months we have seen very good offtake data in terms of the growth compared to other peers. So, with the correction that has happened because of destocking I think this quarter will be good.

Neha Manpuria: So, you are seeing that destocking coming back and helping sales?

Dr. Sharvil Patel: Partly destocking partly demand.

Neha Manpuria: And sir, on our R&D, how should we look at R&D on a full year basis, we are guided to sort of flat R&D on a year-on-year basis the first quarter has seen quite a sharp jump. So, how should we look at that number on a full year basis?

Dr. Sharvil Patel: So, we continue with our projection of around 8% of revenue will be R&D and currently, this quarter, because of lower sale because of India business, it looks more skewed.

Neha Manpuria: I am taking about the absolute number the year-on-year increase in the absolute number. So, you are saying ...

Dr. Sharvil Patel: Absolute we are not giving. We are giving around 8% of revenues what we expect.

Neha Manpuria: Yes, but given that our revenue would be significantly higher from the next quarter onwards because of Lialda, would it be fair to say that we will see therefore a step up in R&D spend?

Dr. Sharvil Patel: Not the significant but yes, there will be an overall increase in R&D.

Neha Manpuria: And which areas are we, I mean in terms of priority which areas with this are focused on?

Dr. Sharvil Patel: It will be NCE clinical trials and Biologics trials and then obviously the ANDA pipeline.

Moderator: Thank you very much. We have the next question from the line of Mr. Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: One question on Lialda, just wanted to get some response from you on that how has been the market shares so far since you launch this product?

Ganesh Nayak: The IMS has just started reporting. So, we will be in a more comfortable position to answer your question may be next month.



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- Anubhav Agarwal:** Because the industry checks suggest that after the approval you have launched almost a month later but industry checks seem to suggest that market share has been building very slowly that is the reason I was asking that not just trying to ...
- Ganesh Nayak:** As I said IMS will give the right indication of the market share. But at the moment is better than what we expected.
- Anubhav Agarwal:** And do you expect an authorized generic to come in here?
- Ganesh Nayak:** No.
- Anubhav Agarwal:** Sirolimus, when do you expect approval for you because you had tentative approval before Moraiya got warning letter but this is not converted into final approval as yet. This is Rapamune?
- Dr. Sharvil Patel:** We have not got approval yet.
- Anubhav Agarwal:** Yes, that is why I am asking. See before Moraiya had the warning letter you had a tentative approval on this. So, this ideally should have been first approval to convert.
- Dr. Sharvil Patel:** So, we had only one strength. Vishal will come back to you with more details on this. I wouldn't have full details. So, let him give you appropriate details offline.
- Moderator:** Thank you very much. We have the next question from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.
- Nimesh Mehta:** Couple of questions. One if you can just let us know what is the AIOCD growth in India that would be helpful and second also wanted to know whether we finally got 180 day exclusivity on Lialda or not and if yes, what do you think could be the competition post 180 days?
- Dr. Sharvil Patel:** What is the first question, AIOCD?
- Nimesh Mehta:** Yes, the IMS or AIOCD is the secondary sales data, the growth for that domestic growth?
- Ganesh Nayak:** Our growth, the latest one which came last night, the market shows a decline of 3% and we are (+3%) and even in the previous 3 months of the quarter which is April, May, June, against 7% and 8% of the market growth, our growth has been in the range of 15% to 19%. June, I think it was 19%. So, that is why Dr. Sharvil Patel made a mentioned earlier that when a question was asked about the compensation of the loss due to GST, he said partly due to stocking and partly due to demand. So, AWACS gives you an indication of the uptick from the stockist and that is the right indication of the health of your domestic business. So, from that angle I think we are better placed than most of the peers.



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- Nimesh Mehta:** Yes, so for the last quarter that is the first quarter FY18 April, May, June, what would be the AIOCD AWACS the growth for Cadila?
- Ganesh Nayak:** One month is 15 one month is 19. There is no quarter growth which is calculated. However, if you want we can give you the exact details month wise.
- Nimesh Mehta:** Yes, that would be also helpful if you have it ready I would like to ...
- Ganesh Nayak:** We don't have ready, Vishal will give it to you tomorrow.
- Nimesh Mehtha** And on Lialda, if you can just throw some light on 180-day exclusivity and whether we got it and for competition post that what do you think?
- Ganesh Nayak:** As of now it seems we have the exclusivity. Regarding competition, we have no idea.
- Moderator:** Thank you very much. We have the next question from the line of Surya Patra from Phillip Capital. Please go ahead.
- Surya Patra:** Sir, sequentially whether our base business or excluding the Sentynl, so whether the US business has declined?
- Dr. Sharvil Patel:** Yes.
- Surya Patra:** So, it is because of the kind of incremental pricing pressure or something else, can you just ...
- Ganesh Nayak:** This is price erosion.
- Surya Patra:** And Lialda, whether we have launched in the month of July or prior to that?
- Dr. Sharvil Patel:** July.
- Surya Patra:** And one more thing again repeating on the same Lialda aspect. So, after the 180-day exclusivity whether all 3-4 names who are there competing all can come as a competition that you believe?
- Dr. Sharvil Patel:** Everybody can come but it is a very complex product and the regulatory process is quite difficult. So, there would be a high barrier to entry of this product in our view.
- Surya Patra:** And just lastly on the domestic Formulation business, see last quarter there was a growth but for the industry but it is because of the destocking and revenue loss for the or inventory level getting reduced from 45 days to 30 days. So, we have seen a decline for everybody or for the



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industry as a whole. But this quarter there is case that possibility there is decline in the growth itself or we are not seeing any recovery in the inventory levels.

Dr. Sharvil Patel: We do not feel the inventory will go up to very high levels that used to be there earlier but the demand is there and currently our internal sales are good for the market.

Surya Patra: So, do you see that by second half we will be seeing a normalize growth inventory level would be to the tune of a 30-odd days and normal.

Dr. Sharvil Patel: It will be a normalized growth.

Moderator: Thank you very much. We have the next question from the line of Mr. Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Quick question on Asacol HD, it has been almost one year since the time you are in the market. How are you now thinking about switching from authorized generic to your own product?

Dr. Sharvil Patel: So, we are not answering that right now, in due time we will respond.

Sameer Baisiwala: And what is the time frame that you have in mind on it?

Dr. Sharvil Patel: We are not giving any timeframe. We are bound by legal agreements.

Sameer Baisiwala: And on Lialda, I am a little surprise that you think that you could have 180 day exclusivity has FDA determine this?

Dr. Sharvil Patel: Until they see any filing moving into the regulatory process, FDA does not take a call on it. So, we have to wait, I do not think there is anybody in the approval process right now.

Sameer Baisiwala: Well, there are two companies in the approval process?

Dr. Sharvil Patel: They have not reached the approval process for FDA to make that judgment right now.

Ganesh Nayak : FDAs letter acknowledge is that Zydus is first-to-file and formally exclusivity will determine only when any other approval is to be considered. That is what the letter specifically mentions.

Sameer Baisiwala: Yes, exactly. So, they have not determined the exclusivity?

Dr. Sharvil Patel: They have determined us first to file.

Sameer Baisiwala: Yes but not 180 days?



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- Ganesh Nayak:** Same treatment they do for all other companies also.
- Dr. Sharvil Patel:** Now all the letters coming out are coming on like that for everybody.
- Sameer Baisiwala:** And sir just one more. On two of the pending approvals as we have been talking this for some time now, Prevacid ODT and Metoprolol XL. Is it anything pending over there, are there any TAD dates, can you update us on these two?
- Dr. Sharvil Patel:** We should be thinking it in this financial year both, March 2018 before. We will see Lansoprazole we feel may be before and then followed by Metoprolol.
- Moderator:** Thank you. We have the next question from the line of Purvi Shah from Sharekhan. Please go ahead.
- Purvi Shah:** Sir, two things. One is on the tax rate front and the other was on the CAPEX if you could just give guidance for the year?
- Nitin Parekh:** Current tax rate would be in the range of 12% to 15% and movement in deferred tax little bit difficult to predict, however the overall tax rate would be below 20% and CAPEX for the entire year would be 800 crores to 1,000 crores.
- Purvi Shah:** Also want you highlight where the CAPEX would be going sir?
- Dr. Sharvil Patel:** Largely manufacturing.
- Nitin Parekh:** Formulation manufacturing, capacity building largely.
- Purvi Shah:** And sir like for the quarter as you highlighted that because of the GST thing the EBITDA margins were quite low and normalizing that it is around 18%, but for the entire year how are we anticipating these margins to be?
- Nitin Parekh:** 12 months or so we should be (+20%).
- Moderator:** Thank you very much. We have the next question from the line of Prakash Agarwal from Axis Capital. Please go ahead.
- Prakash Agarwal:** Just trying to understand Tamiflu opportunity like what we have done for capsule, do we have the tablets and would be used the season opportunity coming from October-December?
- Nitin Parekh:** Yes.



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- Prakash Agarwal:** And do we expect to be a 2-3 player market or could be more given that first Tamiflu capsules already in the market?
- Nitin Parekh:** For which you are talking about the PFOS or for the tablets?
- Prakash Agarwal:** Both sir.
- Nitin Parekh:** For PFOS there are only 2 files, one of which is us and for tablets there might three.
- Prakash Agarwal:** And secondly on your Transdermals, now it has been some time now we got the Moraiya clearance and we had earlier commented that the first two products are filed from this facility, so do we expect this anytime sooner or do we expect the Transdermals to actually start from our Transdermal facility?
- Dr. Sharvil Patel:** We will have approvals starting the financial year for couple of products.
- Prakash Agarwal:** The smaller ones to start with?
- Dr. Sharvil Patel:** No, it will be important products for launches.
- Moderator:** Thank you very much. We have the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead
- Nitin Agarwal:** Sir, one big issue with most of the companies in the landscape has been that we have had companies got some pretty large one-off opportunities and when those opportunities have sort of decline in value companies are found difficult to replace some of those opportunities. For us, we have got a couple of next few quarters, big quarters with Asacol and with Lialda. When we look at our business say on 3 year basis looking beyond the next year and year and half and we have got this opportunities really helping our earnings for the next few quarters and how do you look at the business, I mean is it possible for us to do you see enough steam in the business to keep growing over and above these large one of its opportunities which are there or non-recurring opportunities which are there in the business?
- Dr. Sharvil Patel:** Yes.
- Nitin Agarwal:** And this would be what, largely on the back of the pipeline in the US or there are other drivers in the business that you are banking on.
- Dr. Sharvil Patel:** Pipeline in the US.
- Moderator:** Thank you very much. We have the next question from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.



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- Anubhav Agarwal:** One question on the US sales that we have reported this quarter, the June quarter. Now, when I look at that numbers sequentially there are two things which are playing out Sentyln has a full quarter contribution which is positive at the same time two products Ribavirin and Tamiflu both had this seasonality which are largely not contributing in 1Q 2018. So, if you exclude the two Tamiflu and Ribavirin out impact and Sentyln out as well how was the base business done? It looks like we have gained on volumes that is the reason I am asking?
- Dr. Sharvil Patel:** We have gained volume, so largely flat.
- Anubhav Agarwal:** It is largely flat, so you are saying that you pricing would have gone down but because of gaining volumes its business is flat?
- Dr. Sharvil Patel:** Yes.
- Moderator:** Thank you very much. We have the next question from the line of Saion Mukherjee from Nomura Securities. Please go ahead.
- Saion Mukherjee:** Sir, you mentioned that you do not expect authorized generic in Lailda. So is there anything that make you feel that way, I mean why is it that the innovator would not launch authorized generic?
- Ganesh Nayak:** We have information that is why.
- Sayon Mukherjee:** Sir, in the foreseeable future or you think they will never do it?
- Ganesh Nayak:** That, never do it only God can tell. Foreseeable future I can tell.
- Sayon Mukherjee:** So, that means like next one year or so? Will that be ...
- Ganesh Nayak:** That also I cannot say, one year or so. But at least in the next few months we know, it is not.
- Sayon Mukherjee:** And sir, just in the previous question on target action date did you mention March 2018 for Exelon patch?
- Ganesh Nayak:** Not, Exelon patch that is the earlier. That was for Metoprolol XL.
- Sayon Mukherjee:** And what about Prevacid sir?
- Ganesh Nayak:** That will be before this calendar year end.
- Sayon Mukherjee:** Before December. And sir, your CAPEX you mentioned Rs. 800 to Rs. 1000 crores this year, going forward do you expect it to remain in this range or there is this thing ...



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- Ganesh Nayak:** Around 1,000 crores.
- Moderator:** Thank you very much. We have the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** On the Transdermal Patches sir on Fentanyl, what is the update? Is there anything pending that you need to respond to FDA?
- Dr. Sharvil Patel:** So, we have finished our audit, the audit has been cleared and we have been able to answer our query. So, we will now await FDAs next response.
- Sameer Baisiwala:** And is this the one that you will count in fiscal 2018?
- Dr. Sharvil Patel:** Not yet. But it could be but we have not counted that.
- Sameer Baisiwala:** And for the other one Rivastigmine, Exelon?
- Dr. Sharvil Patel:** We have answered all queries.
- Sameer Baisiwala:** Is this part of fiscal 2018 plan?
- Dr. Sharvil Patel:** Yes.
- Sameer Baisiwala:** And sir on second part is, second question is on M&A. What are the assets that you are looking for?
- Dr. Sharvil Patel:** In any specific like because it is a very general, any specific you have any specific question on that, geography or ...
- Sameer Baisiwala:** I mean, yes exactly. So, what are you which sort of assets are you looking at, is it emerging market, is it US, is it generics, specialty?
- Dr. Sharvil Patel:** So, in US we are looking at specialty and we have identified the therapy areas as Pain, Derma Oncology and GI. In emerging market, we have some gap in terms of geographical presence and we want to evaluate those opportunities. And in consumer wellness we want to scale up that business so, we are looking at opportunities there.
- Sameer Baisiwala:** And for US specialty specifically are you looking at just molecule level or you looking at ...
- Dr. Sharvil Patel:** Yes. It will be more molecules specific but we are not averse to obviously a frontend presence larger but it is mostly molecule specific.



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- Sameer Baisiwala:** And for that what is the R&D, what is the outlay that you have is it \$100 million-\$500 million sort of ...
- Dr. Sharvil Patel:** Yes, it will be less than 100 million.
- Moderator:** Thank you very much. We have the next question from the line of Surjeet Pal of Prabhudas Lilladher. Please go ahead.
- Surjeet Pal:** I have just one question. In Renvela are we supposed to re-file or what is the status in that?
- Dr. Sharvil Patel:** So, we have an API source challenge for which we are finding alternative source.
- Surjeet Pal:** So, basically API partner is under scanner kind of things?
- Dr. Sharvil Patel:** No, nothing of those it is just a slight change. There is no regulatory issue.
- Moderator:** Thank you very much. We have the next question from the line of Charulatha Gaidhani from Dalal & Broacha. Please go ahead.
- Charulatha Gaidhani:** My question relates to the increasing pricing pressure because of more players coming into the US. Do you anticipate a decrease in EBITDA margins going forward?
- Dr. Sharvil Patel:** No, we have a healthy product pipeline. So, we do not see a decline in EBITDA.
- Charulatha Gaidhani:** 20% to 25% of the approvals will be shelved because they are commercially inviable.
- Dr. Sharvil Patel:** No they will depending on the market opportunity we will launch some of them in necessary but till then we will have approved ANDAs spent with us.
- Dr. Sharvil Patel:** But their developmental expenditure has already been charged off to revenue.
- Dr. Sharvil Patel:** Yes, we do not capitalize.
- Moderator:** Thank you very much. We have the next question from the line of Saion Mukherjee from Nomura Securities. Please go ahead.
- Saion Mukherjee:** Around Sentynl, I think you had mentioned that this is doing well since acquisition, so what is the kind of with these two products you expect the peak revenues to be from this?
- Dr. Sharvil Patel:** We are not giving guidance on that business.
- Saion Mukherjee:** But do you expect a substantial increase and the other reason is why ...



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- Dr. Sharvil Patel:** Moderate.
- Saion Mukherjee:** And my second question on vaccine is there any revenue contribution that is happening now and how should we think about this what are the key milestones that we need to watch out for and the revenue potential over next 3 years?
- Dr. Sharvil Patel:** So, currently the revenue is insignificant. The real start of the business starting with the domestic market will happen from coming year, financial year where we will see scale up of this business happening and in 3 years we hope to be participating in the tenders with the UNICEF Gavi and the other programs.
- Saion Mukherjee:** In next three years?
- Dr. Sharvil Patel:** Yes.
- Saion Mukherjee:** So, what would be the opportunity their sir, I mean and what is the competitive landscape?
- Dr. Sharvil Patel:** Limited, competition is limited, it is a very high technology barrier in terms of entering this, and you need the right strength. So, I do not think multiple players are there and opportunities pretty large in terms of volume, if we are able to get the large contract. So, we will update when this closer to time.
- Saion Mukherjee:** But is it like few \$100 million kind of ...
- Dr. Sharvil Patel:** Yes, \$ 100 million.
- Saion Mukherjee:** And sir, just one question on this, I mean all the overheads and cost that are related to your vaccine side are they all flowing through the P&L or they would flow.
- Dr. Sharvil Patel:** In the P&L. They are in the P&L.
- Moderator:** Thank you very much. We have the final question from the line of Kartik Mehta from Deutsche Bank. Please go ahead.
- Kartik Mehta:** Just trying to get a sense how has the pricing been in Lialda in terms of the initial, is there something that you can talk about that?
- Dr. Sharvil Patel:** No, but we can benchmark any of the good firms when they launch exclusive product. We are not giving detailed answers on these.
- Kartik Mehta:** And on Asacol HD, just wanted to understand is the timeline to launch our own product that related to an initial agreement or is it within few quarters of your own approval?



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- Dr. Sharvil Patel:** We will not be able to answer that now.
- Kartik Mehta:** Would this be in FY18 or in FY19 opportunity?
- Dr. Sharvil Patel:** We will not be able to answer that question.
- Moderator:** Thank you very much. We have time for few more questions. We have the next question from the line of Mr. Anubhav Agarwal from Credit Suisse. Please go ahead.
- Anubhav Agarwal:** Ganesh sir, one question on the India market, of course this quarter was exceptional quarter but what do you expect for fiscal 2018, would you be able to grow double digit or will be high single digit what kind of growth you expect for fiscal 2018?
- Ganesh Nayak:** Right now, I can tell you about the second quarter which is July, August, September. We should be in the higher side of the mid-teens.
- Anubhav Agarwal:** But that itself is not a great number because of the destocking that we have seen in this quarter because ideally, we should have grown by (+20%) in the second quarter?
- Ganesh Nayak:** No, your question is an intelligent one but the point is the destocking which took place was quite extreme. So, it will not take place only over a period of 3 months. In fact, as Dr. Sharvil mentioned earlier I repeat, this is going to be a combination of demand and stocking. If you want to push the stocks into the market we can cross the 20%. But now we feel that we consider these inventory levels which have reached now are healthy. So, we do not want to take the advantage of that, we would rather take the advantage of creating demand. And that is why I said closer towards 20.
- Anubhav Agarwal:** And just a related question that in this quarter companies are given incentives to the channel. Now how that incentive would have been recorded? Is it included, has that been already netted of sales in this quarter or will that come in the next quarter because channel would not have claim that incentive as of now right.
- Dr. Sharvil Patel:** In this quarter but we, as the company have not given high credit or longer credit terms compared to others. We have not given large credits.
- Anubhav Agarwal:** But whatever you have given how was the accounting done?
- Dr. Sharvil Patel:** which quarter.
- Anubhav Agarwal:** Netted off sales or other expenses it is there?



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- Dr. Sharvil Patel:** It has not been accounted for in April-June quarter because that credit would be given in the subsequent quarter. So, July-September quarter will include that number.
- Anubhav Agarwal:** And just last question on these other expenses, we have been keeping a very tight leash on other expenses. Now if I see ex. of R&D other expenses despite Sentynl acquisition other expenses are still down both quarter-on-quarter and year-on-year. What is the element is it like an India business because of the weaker sales that some of the numbers are not flowing in like commission etc. is not flowing, what is the reason here?
- Vishal Gor:** Because we knew that the India business would get impacted because of GST roll out. We had rationalized some of the discretionary marketing and promotional spends. Rest of the spends on manufacturing and other areas remain the same and there is some growth Y-o-Y and Q-o-Q both.
- Moderator:** Thank you very much. We have the next question from the line of Surjeet Pal from Prabhudas Lilladher. Please go ahead
- Surjeet Pal:** Could you please tell me how many months of Lialda sales have been booked in this quarter?
- Dr. Sharvil Patel:** Lialda sales in the last quarter?
- Surjeet Pal:** In Q1 how many months?
- Dr. Sharvil Patel:** Zero.
- Dr. Sharvil Patel:** We have just started business in July.
- Surjeet Pal:** And Sentynl do you have booked all for 3 months?
- Dr. Sharvil Patel:** Yes.
- Moderator:** Thank you very much. I now hand the floor over to Mr. Ganesh Nayak for any closing comments.
- Ganesh Nayak:** Thank you very much and look forward to interacting with you again in November for our Q2 Results. Thank you and good night.
- Moderator:** On behalf of Cadila Healthcare Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.