

“Cipla Limited Q1 FY15 Earnings Conference Call”

August 14, 2014



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Moderator: Ladies and gentlemen, good day and welcome to the Cipla Limited Q1FY15 Earnings Conference Call hosted by Kotak Securities 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 call, please signal an operator by pressing the “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Talati from Kotak Securities, thank you and over to you Sir!

Chirag Talati: Thank you. Good evening, everyone. This is Chirag here from Kotak Institutional Equities. I thank the Cipla Management for giving us the opportunity to host this call. From Cipla we have Mr. Rajesh Garg, Global CFO, Mr. Anant Atal, Head of Investor Relations and Business Transformation; along with his colleagues. I will now hand over the call to Mr. Rajesh Garg for his opening remarks. Over to you Sir!

Rajesh Garg: Good evening to all of you; and thank you very much Chirag and welcome to our First Quarter earnings call. As Chirag said, I am joined by my colleague Anant here. I hope you have received a brief investor summary that was posted on our site and I think was also sent to most of you.

So I am going to kickoff by just walking through some of the salient points of our performance. I will be using the slides that were emailed to you and then we can take questions.

So basically we are beginning year two of our two year investment cycle. We have had sales growth of 7.3% versus last quarter ending at 2720 Crores, but the underlying sales growth is more than 15% excluding certain one-offs that were present in quarter one last year. Our India business has had a very robust performance, where it outperformed the market with 17% growth year-on-year versus what best estimates suggest the Indian pharma industry has grown at 10%. Then for our key future market North America and Europe, our plans are on track, as per our expectations.

In terms of EBITDA for the quarter at 20% (542 Crores) it is in line with our plan for the year and we are 400 basis points better on a quarter-on-quarter basis. This is largely driven through a positive product mix and a focus that we have on managing our overall cost base-procurement spend and manufacturing expenses. In terms of cash flow, we have had a great quarter with 386 Crores of net operating cash flow, which is 90% of the operating profit for the quarter.

We have also seen a steady decline in our cash conversion cycle through better working capital management with almost 20 days shaved off from our overall cash conversion cycle.

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Next slide which is slide #4 is the detailed financial summary. I would ask you to click over to slide #5. I have already touched on the numbers and financial performance. The next big point to talk about is the overall R&D investment and focus, where I think our results are now showing with 80% of our critical launches on track.

We have more than 220 formulation projects underway and as we spoke in our last call, our filing intensity continues with more than 300 international filings this quarter, five European and seven North American filings. I already touched on the India business performance, but essentially the growth rate in excess of the market is also showing up vis-à-vis our market share, which has improved to 5.2% versus being in the 4.7% range before.

In South Africa, we have won tenders and the most recent one was actually not in areas where we traditionally win, the traditional areas being ARVs, respiratory, malaria. This time we have actually won a large tender from South Africa in the CNS, cardiovascular, and women's health categories.

There were two key launches in respiratory in Europe. One is ipratropium in UK and other is mometasone nasal in Netherlands. We are also now working on a long-term network optimization plan, which will help us to not only optimize our current, but also give us the best future footprint.

Moving onto our strategy on international expansion, we are on track to achieve our growth aspirations as well as our three-year business plan and you would have picked up two of our recent acquisitions, one in Yemen and one in Sri Lanka. In Yemen, we actually have not only the front end, but also a factory which should be into production in the coming quarter; and in Sri Lanka, we have market leading position with 8% share.

Cipla is a top brand and now we control the market authorizations as well after 60% joint venture which we had gone to the press earlier in this quarter. Cipla is also now open for business with regards to in licensing, we continue in licensing as noted here with some of the recent deals with Medicines Patent Pool (Dolutegravir).

We have also acquired Mabpharm, a biotech joint venture in which we had 25% stake. We have now completed and bought the other 75% from our partner and this is a very exciting future development for us because this will allow us to now start to put in place our biological strategy.

In terms of quality, we continued to have, like most of our peers, a large number of external regulatory audits. We are happy to note that we have completed all of them in the quarter successfully and it shows our commitment to quality and Cipla stands for across the board, across all the market regulatory authorities, which we deal with.

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With that I am going to actually hand you back to Chirag and then open up for Q&A.

Moderator: Thank you. The first question is from the line of Manoj Garg from DSP Merrill Lynch. Please go ahead.

Manoj Garg: Very good evening to all of you Sir. Just would like to understand in terms of market potential for both ipratropium and mometasone in the UK and the European market. So how big is this opportunity?

Anant Atal: These are two products where there are already several other players. So I think for our aspiration, we really are trying to establish ourselves and get a good market share. In terms of the market size overall, we are talking about in the range of 15 to 20 million, so just south of that. We will look to get a reasonable share of that chunk.

Manoj Garg: The second thing on the South Africa tender, where we have got now for respiratory, CNS, as well as women's healthcare. Can you just indicate like how large this tender would be?

Rajesh Garg: So the total value of the tender is likely to be 300 million Rand over the next two years, so that actually ended up being out of the total pool of 850 million Rand that was announced, but in terms of those molecules that we wanted to bid for, we got pretty much the lion's share of that. We are constantly looking to improve our margins and compete in categories where we can do that and this one is the clear example of that.

Manoj Garg: I see and the last question, if I can squeeze, Sir. During the quarter, we have shown this 27 crore kind of loss which is a part of share of loss of associates and the minority interest. I think this is the first time we have seen such a large number. So if you can put some light on this?

Rajesh Garg: So this is mainly in some of the investments that we have done in our Cipla New Ventures into various biologicals and regenerative medicines as well as in China and those are the ones that have all added up to that loss.

Manoj Garg: So is it something, which is going to stay hereon for the next couple of quarters or is it like there is some one-off in this quarter?

Rajesh Garg: I think there will be some of it, but not to the same extent perhaps.

Manoj Garg: I wish you all the best, Sir.

Moderator: Thank you very much. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

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Prakash Agarwal: Thanks for the opportunity and good evening to all. A question on standalone and consolidated, the financials that has been given, so standalone, we obviously see much better traction, 21.5% EBITDA margins, wanted to understand how should we look at it. I mean if you look at total revenues, there is a net delta of Rs. 2.4 billion. So would this largely pertain to the Cipla Medpro contribution and the corresponding cost that we see, staff and SG&A, which is another delta of Rs.2 billion, would this be a part of our investment cycle, which we are doing in Europe and US market, the benefits of which will come in future? Is the understanding correct?

Anant Atal: Yes. So on the first part, Prakash, that Rs. 2.4 billion that you spoke about comprises of about three or four entities. There is Medpro; then there is our Uganda entity, which is Cipla QCIL; then you have Celeris, our Croatia entity; and you have few others. And of course, Medpro is the largest chunk of that. Those are the four elements in the difference between consolidated and standalone. In terms of the employee cost, there are really two points to make, one is your point on some of the front ending and new talent acquisition that has definitely resulted in the increase in employee cost, but I think if you see our employee cost in Q1 relative to Q4, it has increased about 12% so that is kind of consistent with what we have set previously, broadly in line with inflation and you got some of the full quarter impact. But I think this is fair level, you would not see any big swings on the employee cost post this, so this is a fair assumption for a quarterly steady state number.

Prakash Agarwal: The second question is on, if we look at your statement of 80% of critical launches on track, if you could just give us some idea on what is the actual number of the critical products or launches you are looking at, over which time frame, and broad buckets in which segments? I mean respiratory, we all aware, but would it include biosimilars and injectables also? If you could give some color on the quality of segments?

Anant Atal: We are talking of about 50 launches, over the next two to three years. You know about the respiratory part, but in addition to respiratory, there is no biologics in it. We have not really factored that in. We don't include Biologicals in our core businesses; we treat it as part of new ventures. You have got the oncology, some injectables and then you will have in the short-term, some more of the plain vanilla generics, for want of a better word. You will see some of the anti-infective products as well. So it will be really a combination of these three which is respiratory, some of Oncology, some anti-infectives and then it will be a wide mix of more plain vanilla products.

Prakash Agarwal: It would be fair to say, it would be in regulated markets, Europe and US, is what we are talking about?

Anant Atal: Yes I mean in terms of a lot of the new launches they would be in those two markets, but when we talk about these, we are not really talking about some other rest of the world stuff,

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where we have 1000 plus filings a year, so you will have many, many more new launches, In terms of respiratory launches, you would see some big ones in the international markets excluding Europe and North America.

Prakash Agarwal: Perfect, thanks. I will join back the queue.

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

Anubhav Agarwal: Thank you. Just one clarity on the other operating income of Rs.73 Crores this quarter, Rajesh. If I see your annual report, when you report export incentive and scrap sales, that only totals about Rs.25 Crores per quarter, roughly; and that is been a trend, let is say, if I see the yearly number, that is been trending about Rs.90 Crores a year, roughly about. So this Rs.73 Crores this quarter, Rs.90 Crores about in the fourth quarter, what is the delta? Is that tech income has increased for you or the Dymista contribution is included here? Can you help explain that?

Rajesh Garg: Basically it also includes export incentive, technical fees, a lot of what we do processing job work.

Anubhav Agarwal: But that is exactly I was quoting your number, Rajesh, that if you see your annual report, in last two years, very consistently export incentives your job work, the number has been about Rs.90 Crore each year. So and now, you see your level of other operating income last quarter, it was Rs.90 Crore; this quarter, it is Rs.73 Crore. So we are certainly reporting much higher number than we were reporting earlier. So tech income certainly seems to have gone up.

Rajesh Garg: Yes, I said basically, the way our export incentives add up they are higher. So that is what it is essentially.

Anubhav Agarwal: So export incentives have materially increased, but your export levels have not increased. So would your export incentive rate have increased, but is not that defined by the law?

Rajesh Garg: There is a mix effect, so depending on what you are exporting from where, so that is why it is what it is.

Anubhav Aggarwal: Okay. So you expect that going forward now, 70 Crores, 80 Crores number, that is the range to expect?

Rajesh Garg: That is right.

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- Anubhav Aggarwal:** Okay, just one clarity on some of the product specifications, one, Baraclude in the US, is that material opportunity for Cipla?
- Anant Atal:** Baraclude in the US, it is an opportunity, but it is already baked into our plan. We cannot share details of the kind of arrangements we have with our partner. You can assume that it is baked into the guidance that we have provided for you.
- Anubhav Aggarwal:** For this year, right? And currently, of course, it is not launched. So second question is on the mometasone approval, you already have in Netherlands, but what about other European markets? You are expecting it short-term?
- Anant Atal:** Yes so I think on the broader respiratory portfolio you will have different products coming in and potentially mometasone as well across select European markets.
- Anubhav Aggarwal:** Is that also part of your guidance, which you have given in this year?
- Anant Atal:** Yes of course.
- Anubhav Aggarwal:** And just last clarity is Xopenex launch, have you already launched that or what is the plan there?
- Anant Atal:** We stated last time that we actually have partnered for that product, so you will see that launching very soon.
- Moderator:** Thank you very much. The next question is from the line of Saion Mukherjee from Nomura Securities. Please go ahead.
- Saion Mukherjee:** Good evening. Sir can you share what fraction of your export sales is tender business?
- Anant Atal:** I would say that it is less than 10%.
- Saion Mukherjee:** Going forward, I mean given that you have won a few tenders, is this proposition likely to increase in this fiscal, do you think?
- Rajesh Garg:** I think the good news is in some of the tenders we feel that the mix is sweeter than what it was in the other competitive product areas, so I think while the proportion may increase, hopefully it should not have a dent on our margins from there increasing in the mix especially like what we won in South Africa.
- Saion Mukherjee:** The second thing I wanted to know is the R&D cost. Can you share it for the quarter?

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- Rajesh Garg:** It is in line with our plans, the whole year we are going to end at 5%, so it is inching towards that.
- Anant Atal:** Directionally it was marginally lower in this quarter, but that is just purely based on the phasing. So we see ramping up quarter-on-quarter.
- Saion Mukherjee:** One last question if I can. You have recorded a very strong growth in India. Is there any big growth in generic-generic or just largely driven by your branded space?
- Rajesh Garg:** Both are growing in line. There is not a dramatic shift in generic-generic versus branded, so just robust growth all around across board.
- Saion Mukherjee:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Girish Bakhru from HSBC Securities. Please go ahead.
- Girish Bakhru:** Thanks for taking the question. First one on the UK investment plan of funded GBP100 million, can you elaborate what is that exactly about?
- Rajesh Garg:** We have established Cipla EU subsidiary and now we are placing people there and it is a combination of not just the business in UK, but also certain investments which further make sense where the team there is driving business development activity, strategic alliances as well as investments Cipla new ventures had some people in that team. So for example, the Chase USA investment we did was through our UK entity.
- Girish Bakhru:** Yes. So the team basically would, figure out more opportunities in the, say, in terms of licensing and maybe even acquisitions. Is that the right way to look at it?
- Rajesh Garg:** That is right and it is an intent with no fixed timeline over the next few years but yes clearly that is not the amount to be spent in the front end itself, that will probably be much smaller amount.
- Anant Atal:** One additional use of that investment could also be for something like a quality lab and potentially some kind of on the ground R&D facility that could happen over a period of time.
- Girish Bakhru:** The second one was on this Ropivacaine deal, I mean, I just wanted to get a sense of I mean does Cipla have a very significant presence in critical care products and are there any some value addition from these launches, say, integrated markets and would you have similar say setup for US?

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- Anant Atal:** This is again specific deal for Europe with this entity BioQuiddity and we have clearly identified in our Europe strategy the entire critical care, element as one of the key building blocks of a value proposition there. It is our strategy that we are using in Europe to break into hospitals and specific critical care parts, so this is one of the elements of our European strategy.
- Girish Bakhru:** But are you manufacturing also in this particular deal?
- Anant Atal:** It is a one-dose ReadyfusOR pre-filled with Ropivacaine and it is under our label and we will be launching it in the German market. There is an element of manufacturing in it by BioQuiddity. It is an equal commercial collaborative partnership with BioQuiddity.
- Girish Bakhru:** Just last one, if I can squeeze. In terms of the inhaler opportunity in Europe, what looks like from the trends that indicate that Symbicort might see generic entry this year? Can you comment on if you are filing where would it be at that stage and would you expect participation in that say this year or next year?
- Anant Atal:** I do not think we will comment specifically on Symbicort, but what we said is that second half of this year you should look out for certain combination in inhaler products. Hopefully by the next quarter call, we would have something to talk about it.
- Girish Bakhru:** But you would have filed it as a generic product, right? I mean can you comment on that?
- Anant Atal:** On Symbicort specifically, it will be generic.
- Girish Bakhru:** Alright. Thank you. I will join the queue. Thanks.
- Moderator:** Thank you very much. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.
- Chirag Dagli:** Thank you for the opportunity. Sir, the 300 million Rand business is a completely new business, right?
- Rajesh Garg:** This is the area where we used to not win, but it is a part of South Africa guidance. They obviously have pluses and minuses, but yes it helps establish Cipla as a provider of choice for the government because this is the third tender we have won in a very quick succession where respiratory was won in early part of the year and this one clearly is in areas where Cipla has traditionally not won any tenders in South Africa, so that is why we are quite excited with it, but in terms of numbers, for now it is in our plan.
- Chirag Dagli:** Sir, what will be the forex gain or loss element and where all would it have been recorded for the quarter?

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Rajesh Garg: It is about 25 Crores in other income.

Chirag Dagli: This is forex gain?

Rajesh Garg: Gain.

Chirag Dagli: And except for this gain, there is no other loss, which is spread across in any other lines?

Rajesh Garg: No.

Chirag Dagli: Right. And third question, Sir, if I may. This associate loss of 18.8 Crores for the quarter is this, the kind of quarterly run rate that should be sustainable and what is this associate increase related to? I mean, last year, we had 12 Crores for the full of FY14?

Rajesh Garg: We responded to this question earlier that it is going to continue and with so many subsidiaries across, it is not a significant number.

Chirag Dagli: At this level it is going to continue?

Rajesh Garg: Probably yes.

Chirag Dagli: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta: Thanks for taking my questions. Sir, can you break out the sales for South Africa? And also, want to know, on a YoY basis sir we have not seen any significant improvement in the international formulation despite having Medpro phase accounted for the full quarter?

Anant Atal: We are not disclosing specific regional topline in the quarterly calls, and I think we will do that more at the half year and definitely at a full year. Yes we do see our export sales on the standalone basis which are down 16% versus the last quarter and 7.7% versus Q4, but then if we include the Medpro and QCIL, our export sales actually increase 10.5% versus Q1, and they do decline 11.6% vs Q4, but the main fact is that it is not necessarily a like-to-like comparison because same quarter last year there was some one-off from Dymista and also we are going through set of partner, portfolio and markets rationalization efforts, so the big intent is to focus on high quality revenue which actually gets us the right margins. I think those are the concerted efforts which are potentially showing up in the lower growth.

Nimish Mehta: Is there a change in the product mix of revenue from business, I mean in favor of high value?

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Rajesh Garg: Historically we have had very large number of SKUs, partners and we are making sure that we are taking discerning view of our portfolio and also the margins and optimizing the total system value is what we are focusing on and definitely in international some of the lines have taken a hit because we are trying to come out of them.

Nimish Mehta: So this is outside of South Africa that you are talking? Some of the business that has taken hit, okay.

Rajesh Garg: Correct.

Nimish Mehta: Which is like a moderated number?

Rajesh Garg: That is right.

Nimish Mehta: Second question, it is actually on the Ukrainian launch on the combination respiratory product. Can you throw some light on generally how it perform and how do you see patients or doctors?

Anant Atal: Ukrainian launch?

Nimish Mehta: Croatia, I am missing out on that piece. Yes. We did launch, yes, one product, right, the combination product, yes?

Anant Atal: I think the Duohal in Croatia is going on track as per our plan. It is a small market, but I think we are going through the proof of concept.

Nimish Mehta: Yes, exactly, that is the reason I know it is not a material launch for you. But how do you see the response, now that you are planning bigger launches in the European markets? So what is your initial read from the launch and provision?

Rajesh Garg: I think the market read is positive, but it has not been as good as we had expected because the business is under integration and we are learning our way through and we now have a strong team and governance run out of neighboring Germany, the business cluster head, who runs this part of the business is now taking a view where we have realized that operationally the company we had acquired, we could have done a much better job if we were better prepared for such a good product being launched, so I think probably the impact of the launch will be better heard in the next few quarters as we go deep into it and we get through the integration phase when you obviously will have people issues and expected sort of disruption or slow growth, you cannot really have massive growth in such a phase.

Nimish Mehta: So you are basically hopeful about the launch and now that you have pipeline you expect more market share?

Rajesh Garg: Yes correct so we are positive about the product definitely.

Nimish Mehta: Thanks.

Moderator: Thank you very much. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Thanks for your opportunity. On the export formulation business, you mentioned about a rationalization process, which is underway, that has been underway for a while. I mean when do you see the process, this kind the rationalization sort of getting culminated, and this process?

Anant Atal: It is going to be ongoing for a reasonable while because you are talking about 600 plus partners, you are talking about 140 plus markets, you are talking about 2000 products which translate into 20000 SKUs, so I think we are just going through it and it is not a very simple process because you have to actually look into legality of contracts with partners in certain markets, so the process itself takes a lot longer. So even though you identify the product to rationalize, it takes almost six to nine months for it to get out, so what we are seeing now is the effort of work a year back. You are going to see that continuing for a while till we get to the figure that we have actually got in our mind.

Nitin Agarwal: Secondly, with the sort of visibility that has probably come through on certain one-off product launches in all, as far as your full-year guidance is concerned, about a mid-teens revenue growth and 20% plus EBITDA margin, do you see probability of upward bias towards that?

Anant Atal: As of now we are staying with that guidance.

Nitin Agarwal: Lastly, on the US market, what is the status now in terms of your launching on front-end? When do you see that getting operationalized?

Anant Atal: What we had mentioned last time was early part of next calender year, so that is what we are targeting.

Nitin Agarwal: Thank you very much.

Moderator: Thank you very much. The next question is from the line of Arvind Bothra from Religare Capital. Please go ahead.

Arvind Bothra: Thanks for taking my question. I could notice on the consolidated level, there is a sharp jump in depreciation charge. In your notes-to-account that you mentioned that there is an

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additional charge due to change in policy under Companies Act, but that affects the standalone. What explains the difference at the consolidated level?

Rajesh Garg: It should affect both, the standalone and consolidated.

Arvind Bothra: If you would not mind sharing the technology licensing income during the quarter, which is included in other operating income, I think?

Rajesh Garg: Between 10 and 15 Crores.

Arvind Bothra: Thanks. That is all from my side.

Moderator: Thank you very much. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Thank you for the opportunity. Can you please summarize the cumulative ANDA filings in the US, how many are approved, how many are pending approval, how many are through partners?

Anant Atal: We have about 171 ANDAs filed cumulative. We have got about 90 final approvals and in addition to that, as we look at our pipeline, we have close to about 60 which are in various stages of development which will add to the effective 171 numbers. Just for this quarter, we had cumulative of 7 filings and we received approvals for two.

Dheeresh Pathak: Of the approved 90 products, how many have been commercialized?

Anant Atal: Again all of them are through partners, we have about 40 commercialized.

Dheeresh Pathak: 40 commercialized, all through partners? This is a lower number compared to the 90. So the reason is that others are not making commercial sense or they are in the process of being commercialized?

Anant Atal: I think two things we have mentioned last time, one is that a lot of these ANDAs are the ones that we actually brought back through some of our partners, so while they were small value to the partners they made sense for us so we were able to get a good deal and they will actually form part of go live; in addition to some of our own portfolio which will be early part of calendar year 2015.

Dheeresh Pathak: So they are products which will still make commercial sense, but you will launch them in the next calendar year is what I understand, right? And the reason for launching in the next calendar year is because we are not prepared to launch right now because of vertical integration or what is the reason?

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Anant Atal: I think if we look at the US market, we are in the process of a) closing out all the state licenses which you need; b) getting the entire supply chain backbone up and running and c) if you look at the kind of volume commitments that are required to provide to player like Wal-Mart, McKesson or Walgreens, I think it is sizeable, so to be able to ready to launch you need to have be ready to supply 15%, 20%, 30% market share of those specific products. It is just about getting ready for that, so that we are not in the situation where we are underprepared for supplies and making sure that all the entire system is lined up.

Dheeresh Pathak: Of the 80 or so pending approvals, there also, a large percentage would be through partners?

Anant Atal: Again it is going to be a combination of partner and our own go-live. The partners will be more of legacy agreements where they have co-funded development and some of the newer developments are going to be part of our go-live.

Dheeresh Pathak: And it will be fair to understand that the pipeline of 60, a large percentage would be through our own filings and not partners?

Anant Atal: I think that they will be evenly split.

Dheeresh Pathak: Lastly, if I can take the last question, what would be a yearly runrate of your US sales right now?

Anant Atal: We were at 740 Crores for FY'14 and it had grown 19% vis-à-vis the previous year and the guidance what we had stated was that broadly that is the kind of level of growth that you see for the next couple of years.

Dheeresh Pathak: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Ranjit Kapadia from Centrum Broking. Please go ahead.

Ranjit Kapadia: Sir, my question refers to the domestic market; we have achieved a very good growth of 17%. So if you can quantify the number of MRs in the domestic operation as well as in the Cipla Medpro?

Rajesh Garg: The MR that we have between 7000 and 8000 in India and in South Africa it is about 300.

Ranjit Kapadia: Any other country where we have a substantial number?

Rajesh Garg: No, not substantial they are very small numbers in all other markets.

Ranjit Kapadia: This R&D expenditure, how much R&D expenditure is pertaining to the filings?

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- Anant Atal:** We do not necessarily give the break up between filing, clinical trials, but I think it is going to be as per any other competitor or the industry benchmark is.
- Ranjit Kapadia:** Can you quantify the number of scientists working in R&D?
- Anant Atal:** We have close to just a little over 1000 scientists.
- Ranjit Kapadia:** Okay, is spread over various geographies?
- Rajesh Garg:** Most of them are in Vikhroli.
- Anant Atal:** R&D is in Vikhroli.
- Rajesh Garg:** Some element in Bangalore and Patalganga
- Ranjit Kapadia:** Thank you. I wish you all the very best.
- Moderator:** Thank you very much. The next question is from the line of Alok Dalal from Motilal Oswal Securities. Please go ahead.
- Alok Dalal:** Good evening, everybody. One question on the Indore SEZ it has been the fifth year of Indore SEZ commercialization. How is the ramp up there? Is it now working at full capacity?
- Anant Atal:** It is still not at full capacity. It has increased significantly as compared to last year. I do not think we will give specific factory utilization number, but it is definitely an increase relative to last year.
- Rajesh Garg:** But it is very much in line with any new major pharma plant, by the time you get all your filings and all the approvals, so it is not dissimilar to what you would expect.
- Alok Dalal:** And Rajesh, you mentioned about the critical launches over the next few years. Would it mean that the company then would have the potential to grow its sales by more than mid-teens or say in the range of 20% plus once these critical launches come through?
- Rajesh Garg:** See as of now we are not changing our guidance, you have to also look at from a risk adjusted standpoint, so I think we want to stick with our mid-teens guidance, perhaps yes it may go up, but as of now I must admit the fact that on a risk adjusted basis, it is better to stick with this guidance.

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Anant Atal: The publically available information which we were given last year after new CEO joined was getting close to the USD 5 billion figure by 2020, I think that could be a marker of where we are trying to get to.

Alok Dalal: That is all from my side. Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question due to time constraints. I would now like to hand the floor over to Mr. Chirag Talati for closing comments. Over to you Sir.

Chirag Talati: I thank the management for allowing us to host the call again and thanks to all the participants for taking the questions.

Moderator: Thank you. Ladies and gentlemen on behalf of Kotak Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.