# "Alembic Pharmaceuticals Limited Q3 FY 2016 Earnings Conference Call"

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**Moderator**: Ladies and gentlemen, good day and welcome to the Alembic Pharmaceuticals Limited Q3 FY 2016 Earnings Conference Call, hosted by Edelweiss 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 "*"then "0" on your touchtone phone. I now hand the conference over to Mr. Rahul Solanki from Edelweiss Securities. Thank you and over to you Sir!

**Rahul Solanki**: Thank you. On behalf of Edelweiss, I welcome you all to the briefing of third quarter results of Alembic Pharmaceuticals. Today from the management side, we have Mr. Pranav Amin - Joint Managing Director, Mr. Shaunak Amin - Joint Managing Director Private, Mr. R.K. Baheti – Director-Finance & CFO, Mr. Ajay Desai - Vice President Finance. Now, I hand over the conference to Mr. Baheti for the opening remarks. Over to you Sir!

**R.K. Baheti**: Thanks Rahul. Good evening everyone. Thank you all for joining the third quarter conference call. Most of you would have received our results by now. However, let me briefly take you through the numbers for the quarter ended December 31, 2015. During the quarter, the total revenue grew by 81% to Rs.931 Crores; EBITDA at Rs.385 Crores is 41% of sales, versus 20% in previous corresponding quarter with a growth of 279%. Net profit after tax grew 281% to Rs.269 Crores. For the quarter, not annualized, for the quarter EPS works out to be Rs.14.30 per share versus Rs.3.75 per share in the previous year's corresponding quarter. Capex for the nine months ended December 31, 2015 are about 200 Crores. The company continues to be fully debt free net of cash as on December 31. I will now hand over the discussion to Pranav for his insights on international business.

**Pranav Amin**: Thank you, Mr. Baheti and good evening everyone. As mentioned in our last call, we have successfully launched Aripiprazole Generic on day one and this has significantly contributed to our performance.

In the quarter we did see new players enter into the market as well from price erosion but our partners had a decent job of retaining and getting back the market share. Other products have also performed quite well in the US. Our total R&D spend both capital and revenue is 74 Crores for the quarter which is roughly 8% of sales. R&D is going to be a driver for the future and we will continue to invest aggressively in this and you will see it in the forthcoming quarters as well.

We have received two ANDA approvals during the quarter taking cumulative approvals to 45. This includes three tentative approvals. We have also filed three ANDAs during the quarter taking cumulative ANDA filings to 74. We filed four DMF in the quarter and cumulative DMF at 79.

We are moving quickly to add products under our own label as mentioned in the last call. During the quarter the international formulations grew by 248% to 521 Crores. The API business grew by 24% to 101 Crores. Our plans continue to remain in compliance and that is going to be a focus area for us. I now request Shaunak to take you through the Branded Formulation business.

**Shaunak Amin:** Good evening everyone. Quick snapshot of India business; branded business for the quarter grew at 15% at 288 Crores. The mix between specialty and acute was 22% growth and 10% growth, which is on a back of Althrocin price cut for the year. Although specialty divisions and businesses are growing faster than the respective RPM markets as per IMS growth numbers and on the CVD side I think our brand of Telmisartan is now the third largest brand in the Telmisartan market with the fastest growth as per MAT IMS December 2015. On the production side I think our Sikkim plant has been commercialized and that plant is up and running its next year largely see most of the productions coming out of this facility. I will open the floor to Q&A now.

**Moderator**: Thank you very much. We will now begin the question and answer session. We have a first question from the line of Nishit Sanghvi from Axis Capital. Please go ahead.

**Nishit Sanghvi**: Thank you for taking my question. Sir my question pertains to the US business now Pranav that we have been moving fast adding labels to our own front-end. So does it essentially mean that it launching product will not be depended upon approvals may be we can get some products from our partners back and we will be launching them?

**Pranav Amin**: Good question Nishith. I mentioned all new products will definitely be on our own label that are not tied up. Some of our older ones, which are expired, whose agreements expiring we will add them on them on the label as well. So we have launched as I mentioned in the last quarter we had launched one product Memantine. We have recently launched metoprolol plus hydrochlorothiazide and as we go along we will launch more products also. There will be a mix of new approvals as well as some older ones.

**Nishit Sanghvi**: So can you give that older one number any approximate number?

**Pranav Amin**: It really depends quarter-to-quarter. Right now we have only launched which is from the older label, that is metoprolol plus hydrochlorothiazide.

**Nishit Sanghvi**: So the seven to nine approvals that we launches that we have mentioned these are over and above whatever we will get back from the partner?

**Pranav Amin**: Yes because what would happen when we say that per year we will launch about seven or eight products these are strictly new launches. Now the US with a launch in older products that is the re-launch of the same thing on our own label. So I am going to include those in the seven odd launches every year.

**Nishit Sanghvi**: Just wanted your thoughts on Namenda that was our first product launched through our own front-end so how has been your experience there and any thoughts you want to share about how it is going solo in US?

**Pranav Amin**: I think it is a matter of time. As you know Namenda is competitive market right now. I think in the next few months we should be ramping up quite well in terms of being able to pick up markets as well.

**Nishit Sanghvi**: I just wanted to understand on Abilify. We have seen Bloomberg showing significant decline. competitors are maintaining market share but I think our market share has declined quite a lot. Any reasons?

**Pranav Amin**: As I mentioned in the last call also the reasons for the decline as new entrants came in. I think they have to pick up market share from someone and I believe our partner lost some market share there. However they have regained some market shares for the last few weeks, as per Bloomberg is saying.

**Nishit Sanghvi**: Also wanted to check on warfarin. Now that we have already filed the product, two of the players there, one was IPCA and Cadila have some problems there. So do you see as getting faster market share once we launch and since it is 505(b)(2) our timelines of launch will also be closer.

**Pranav Amin**: Are you talking about the warfarin 505(b)(2)?

**Nishit Sanghvi**: Right.

**Pranav Amin**: It is tough to say. To be honest, I really don't know how it will pan out. There are still lot of people, innovators still holding lot of market share. So it is tough to say. Really I do not know what to comment on that.

**R.K. Baheti**: Nishith, can I request you to restrict the questions to two and please join back.

**Nishit Sanghvi**: I will join back the queue Sir. Thank you.

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

**Nimish Mehta**: Thanks for taking my question. First of all if you could comment on the increasing the overheads especially R&D has commented the other expenses as well as staff cost. Are we likely to see the same kind of a absolute run rate fall in the coming quarters or is it likely to come down?

**R.K. Baheti**: The staff cost is not likely to go very differently. The R&D cost as we have been explaining in almost every call. The actual expense would depend on lot of factors. It is a difficult thing to match quarter on quarter because there is a huge chain of processes in R&D. So some expense get incurred in some quarters and some expense do not get incurred in that quarter. In another quarter to the same extent but as I mentioned I think on yearly basis this runrate is a recurring runrate.

**Nimish Mehta**: About 8% will recur for the entire year?

**R.K. Baheti**: Yes.

**Nimish Mehta**: What about the other expenditure I mean there has been a lot of fluctuation like last quarter we had about 209 Crores now about 145 Crores. In first quarter it was 132 Crores like how we do look at that expenditure on a quarterly basis?

**R.K. Baheti**: Mitanshu, you would have some breakup to this.

**Mitanshu Shah**: Nimish actually this is going to take little time. Can we take this offline and I will explain you the entire expense breakup.

**Nimish Mehta**: No problem I will take it offline. One last thing if I may please. The number of approvals that we have got in like so far has been about two to three. So we expect in the last quarter itself to about five, six approvals is that a fair understanding?

**Pranav Amin**: I think approvals is really dependent on the FDA. But as I said we will have about seven launches plus minus per year.I think this year we have launched about five products already so may be we will probably launch one or two more products in the last quarter.

**Nimish Mehta**: Do you also guide to have been launching among the seven to nine, one or two or two to three reasonably in certain products lower competition products?

**Pranav Amin**: No we have not given guidance. I really do not know which approvals will come in which time period.

**Nimish Mehta**: I will join back in the queue. Thank you.

**Moderator**: Thank you. Our next question is from the line of Ravi Naredi. Please go ahead.

**Ravi Naredi**: Congratulation for fantastic results. How many our manufacturing facilities are FDA approved?

**Pranav Amin**: Ravi, thank you. We have four manufacturing facilities. Three API facilities and one formulation manufacturing. These are catering to the regulated markets and all four are approved by the USFDA.

**Ravi Naredi**: This Sikkim you have recently started when it will be FDA approved?

**Pranav Amin**: That is for the domestic market. We are not looking at that for the international markets.

**Ravi Naredi**: Sir second question is international revenue rises to 5211 million from 1498 million please tell us reason to rise so much and will it be sustained in next few quarter Sir?

**Pranav Amin**: As I mentioned most of the increase has come on the international side from the international generics. That is also because of the US market. We have had some successful launches in the US market like the Abilify generics. So those have caused it to rise so much.

**Ravi Naredi**: Will it sustain?

**Pranav Amin**: It really depends on a competition as the last few questions people who are asking me, it depends on the price erosion and competition that we will see in the next few quarters.

**Ravi Naredi**: Sir any dividend policy you have framed for the company?

**R.K. Baheti**: There is no formal policy. But I think if you look at the past track record we have been distributing about 25% to 30% dividend but again I am not including in that some kind of a non-recurring income. So we will see at the end of the year how much of it is sustainable recurring and based on that we will take a call.

**Ravi Naredi**: But according to you 30% to 35% is the policy?

**R.K. Baheti**: 25% to 30%.

**Ravi Naredi**: Thank you Sir and all the best.

**Moderator**: Thank you. Next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

**Nitin Agarwal**: Thanks for taking my question. Pranav, on Celebrex have we launched the product?

**Pranav Amin**: Yes our partner has launched the product.

**Nitin Agarwal**: How is your competitive dynamics in the market now? I mean how do you see the product is it going to be is still attractive product for you guys?

**Pranav Amin**: Yes I mean it is still an attractive product. There are very strong competitors in the market place but it is still an attractive product. As you know we launched little later than our competitors but our partners are gradually picking up some market share.

**Nitin Agarwal**: On the overall with the numbers that we got over the last couple of quarters in terms of cash flow that has come through from Abilify to the extent it was anticipated, is the largish incremental amount which has come in so are there any thoughts in terms of how the company is going to look towards utilizing that cash flow?

**Pranav Amin**: As I have been mentioning our R&D spends will be going up. So we do want to spend lot because that is going to be the first thing and entry point for all business in the US to have a good pipeline and a portfolio. So we will be spending on our portfolio and R&D and the second thing it will be utilized for the capital expenditure like entering new streams and plant expansions.

**Nitin Agarwal**: I just wanted to check up we have already stepped up the R&D.When you look at the R&D it is on a base I do not know how long it is going to last as far as the Abilify contribution is concerned. I mean how do we see this thing continuing I mean in terms of R&D spend once Abilify contribution begins to moderate. As you know is probably the market becomes more stable, there is room for the market to go down in terms of where the market is today?

**R.K. Baheti**: If I can clarify I think I have said in the past that my investment program for R&D is not dependent on my current quarter success or two quarters success. It is based on a long-term three to five years plan based on the market potential which we see based on our own ability to develop complex products. So it is incidental that Abilify has come at this time and this will surely help but irrespective of Abilify I think the program will continue.

**Nitin Agarwal**: Lastly if I can squeeze in the jump that we see in R&D Pranav what kind of areas has most of this increased R&D spend really going towards?

**Pranav Amin**: Most of it is on the formulation side. If you see we have opened up R&D center in Hyderabad. We got team in Baroda as well and I have mentioned in the last few calls somehow it will mean strategic areas such as injectables and derma as well.

**Nitin Agrawal**: Thanks very much.

**Moderator**: Thank you. Our next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

**Rahul Sharma:** How much of your gross block has been capitalized in a nine-month period Sir and because there is an incremental depreciation hit which has come into the P&L?

**R.K. Baheti**: Yes so far Sikkim has been capitalized. There will be some other smaller capex, which would have been capitalized, but some of the other projects are still ongoing.

**Rahul Sharma:** The entire 200 Crores has been capitalized?

**R.K. Baheti**: Not really for the purpose of depreciation. I would say about 100, 120 would have been capitalized.

**Rahul Sharma:** Any reason for the higher tax rate in this quarter?

**R.K. Baheti**: Because with the higher profit cushion of MAT goes down so obviously the tax rate go up.

**Rahul Sharma:** Are you increasing your guidance for tax rate for the current year?

**R.K. Baheti**: I have not given any guidance in the tax rate. Tax rate is what is applicable to us sometime in the past I would have said that we would stay in MAT for sometime but at that time probably we have not anticipated this kind of profits from generic business in two quarters.

**Rahul Sharma:** Sir on warfarin what is the status in sense the filing and or approval timeline any clarity on that?

**R.K. Baheti**: There is no update from the partners post our last information. The product is filed.

**Rahul Sharma:** How long back was it filed Sir?

**R.K. Baheti**: Sometime in September end or so.

**Rahul Sharma:** Thank you. I will join back the queue.

**Moderator:** Thank you. Next question is from the line of Ankit Gupta. Please go ahead.

**Ankit Gupta**: Good evening Sir. Congratulations for good set of numbers. Sir, just wanted to understand how is the base business doing in US apart from Abilify so like how many molecules do we have currently more than say like USD 10 million over the past nine months or last six months?

**Pranav Amin**: I mentioned earlier the base business also is doing well in the US. We have about 30 odd products in the market and those are also doing well. As you know it is tough to say individually because some go up, some go down but base business has also grown.

**Ankit Gupta**: Sir any update on some of our filings like limited competition filing like Elmiron, Toprol and Tracleer?

**Pranav Amin**: Actually Ankit, we do not disclose any filings that we do we only disclose once we get the approvals.

**Ankit Gupta**: We were noticing that over the past 12 months our filings EU markets have increased considerably if you look at our overall filings almost out of the our total filings 60% to 70% have been filed over the past 12 months. So any updates on how the business is in Europe doing?

**Pranav Amin**: The Europe business actually has not been that good in this year I mean this quarter is not been as good as US. As I mentioned about 80% to 85% of our effort and our priority is towards the US, so I would really look at the US in terms of filings and the growth that we are going to see from there.

**Ankit Gupta**: Sir had we launched generic Zyvox for which we got the approval recently?

**Pranav Amin:** Yes, we have got the approval for that. We are in the process of launching it, so we will launch it in the next few weeks.

**Ankit Gupta**: Sir, last question on Abilify, like as of now how is the price erosion situation in the molecule like how much has been the price erosion. As per some report the price erosion has been as high as 80%?

**Pranav Amin:** It really depends on the kind of market share. But yes there has been price erosion, I do not know the exact extent to it because it is through a partner.

**Ankit Gupta**: Okay and how is the incremental competition coming in because there are a lot of filers for that and just six of you had launched currently?

**Pranav Amin:** Sorry I did not get that.

**Ankit Gupta**: Sir how is the competitive intensity growing in that because there has been more than 10, 15 filers and currently, just six filers are there in the market?

**Pranav Amin:** It really depends. Now that is a million dollar question you have to ask the FDA because as of now there is only about six, seven people who are in the market, and they are trying to take market share. As for the other eight, nine filers who are there, I do not know the status. They will come to the market at some point, but I do not know when.

**Ankit Gupta**: Thank you Sir.

**Moderator:** Thank you. Next question is from the line of Anant Jain. Please go ahead.

**Anant Jain:** My questions have been already been answered, I mean Ankit had already asked the question. Thank you.

**Moderator:** Thank you. The next question is from the line of Nishit Sanghvi from Axis Capital. Please go ahead.

**Nishit Sanghvi:** Thank you for taking my question again, Sir. Just on this India generic piece now it has declined quite significantly and we did Rs.20 Crores at one point of time we used to do Rs.33 to Rs34 Crores, so what is the long-term outlook for this business, what do we want to do with this?

**Shaunak Amin:** India generic is not a long term focus area for us and I think we are just looking at running this business little more tightly than we have in the past, which means there is a lot more focus on profit margins than what we used to had done or what the industry focuses on as margins from this business and I think from long-term point of view, yes there might be some erosion in this business, but I think we want to be very tight and very controlled in the way we do business in this India generic segment, so we do not want to share just for the sake of volumes like what change in the market is utilized in this business front.

**Nishit Sanghvi:** Can you share what is the impact of this latest, I know the prices are not being notified yet, I am not too sure there but any impact of this latest depreciation in the amount?

**Shaunak Amin:** I think there are two impacts, marginal impact we have seen in Telmisartan and what we will see in clarithromycin and in azithromycin 200 mg syrup and on the positive side I think we will see some positive impact on erythromycin that is from our Althrocin.

**Nishit Sanghvi:** Just on this last question on Sikkim facility, so I just want to know how much is our current capacity utilization, so for the domestic business and will this Sikkim aid in boosting growth in the domestic side?

**Shaunak Amin:** No, I do not think it is driven from a growth point of view, I think Mr. Baheti can elaborate more on that if required, as of now Sikkim has just started so we would not be, when the process of taking batches and doing validation batches in Sikkim and some of the production has started flowing out, but I think it will be another three months before we come to full-fledged capacity utilization in this facility.

**Nishit Sanghvi:** Thank you very much Sir.

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

**Nimish Mehta:** Thanks for giving me the opportunity again. If anyone of you could comment on the out license in Rhizen Pharmaceutical one of the subsidiary has done, first if you can just elaborate on the kind of deal and the compound that we are talking about and I guess Rhizen has also received an upfront payment about Rs.4 million in cash, if that reflected in the current quarterly numbers?

**R. K. Baheti:** Not really, but I think what do you want to know about deal. I think the press release is self-explanatory and complete. I do not think I have any information or I can share any information beyond that. The milestone has been received by Rhizen, it does not get into our profit and loss statement directly, it reduces advances given to Rhizen in the previous period.

**Nimish Mehta:** Rhizen is a 100% subsidiary, am I right?

**R. K. Baheti:** Rhizen is not 100% subsidiary. Rhizen is a JV with another eminent scientist who is driving the project.

**Nimish Mehta:** On the molecule, I just wanted to know as over how many years is the milestone spread over, I understand it is about, a total milestone payment can aggregate to 40 million?

**R. K. Baheti:** Correct, there is a very detailed agreement. It is a standard out licensing agreement which you would know, but I cannot talk about the details of the agreement, but milestones obviously would depend on various parameters like getting into the phase I, phase II, etc., etc., approval, filing, so many things.

**Nimish Mehta:** This is the 505(b)(2) or end thing product?

**R. K. Baheti:** That would not be for us. That would be for actually Novartis.

**Nimish Mehta:** Right, but what is the kind of filing?

**Pranav Amin:** Rhizen is a drug discovery company is what we are saying.

**Nimish Mehta:** It is a completely new product development.

**Pranav Amin:** Yes.

**Nimish Mehta:** Fair enough. Thanks very much Sir.

**Moderator:** Thank you. Next question is from the line of Pallav Shah from Pi Square Investment. Please go ahead.

**Pallav Shah:** Congrats team for good set of numbers. Most of the questions were answered, but there is only one question I have, when was the last audit of USFDA in our facilities?

**Pranav Amin:** The formulation facility was audited last year, September I believe.

**R. K. Baheti:** September 2015 recently.

**Pallav Shah:** The API facilities.

**Pranav Amin:** The API facility, one of them was inspected also last year around the same time.

**R. K. Baheti:** Earlier actually April, May.

**Pranav Amin:** 2015 sometime and the other two are due for inspection anytime. It has been about little over two years.

**Pallav Shah:** Are we expecting any sort of audits for those two facilities?

**Pranav Amin:** Actually normally FDA does come around every two years, so they should happen at anytime now.

**Pallav Shah:** Another question Sir, are we seeing any sort of new facility to be developed because I think the majority of contributions from just one facility for formulations for US formulation especially, so any sort of capacity expansion for the similar facility or new facilities for specifically US formulation side?

**Pranav Amin:** We consistently keep doing capex and we keep expanding and fine tuning capacities, at some point yes they will look at a new oral solid doses facility as well.

**Pallav Shah:** That is all Sir. Thanks.

**Moderator:** Thank you. Next question is from the line of Bhagwan Chaudhri from Sunidhi Securities. Please go ahead.

**Bhagwan Chaudhri:** Thanks for opportunity. How much cash we are having currently on the balance sheet?

**R. K.Baheti:** I do not know whether I need to disclose this at this moment because these are generally given at half yearly and yearly numbers, but there is a surplus cash in the balance sheet.

**Bhagwan Chaudhri:** Some amount?

**R. K.Baheti:** I do not know whether I am supposed to give that information. I will check and if compliance permits me, I will share with you.

**Bhagwan Chaudhri:** Pranav, I think one and a half or two years back we were very excited about the rest of the markets in international markets like we were doing some filings in Brazil, Europe etc., so what are the plans right now, are we still holding the same view?

**Pranav Amin:** Yes I think a lot has changed in the last two, three years, as we evolved. So first thing is the US is one market, which as you know is a very big market, most of our peers in the Industry have also made most of the money in the US, so we are concentrating there. We find that it is a little more lower hanging fruit, now that we also have our own front end, so that is why the priority is on the US, if you see specifically for the markets what has happened Europe has moved to, it is not that the focus is not there, we are doing it, but more effort is towards the US. Europe as you know has moved two tenders, there is some pricing competition, also it is a fragmented market and we do not have a front end in Europe, so that is one aspect. Australia we continue to do the same thing that we are doing still filing products and supplying over there. Brazil is a complex market, it was not big market for us, we are still doing a little bit of business and we will continue doing that.

**Bhagwan Chaudhri:** Thirdly what capex amount for the future?

**R.K. Baheti:** Capex plan for the future?

**Bhagwan Chaudhri:** Yes we were supposedly start one facility for the regulatory market side?

**Ajay Desai:** I think it depends on the R&D program. We have already spend Rs.200 Crores or so in the first nine months, next three months we will spend another may be Rs.80 to Rs.100 Crores, budgeting for capex for next couple of years are in progress. We will also have to synergise it with our R&D development plans, but I think we are committing a good amount of capex in next two years; I do not have a number right now.

**Bhagwan Chaudhri:** This will be infused mainly into what actually.

**Ajay Desai:** This should be all around as Pranav said it may be in a new OSD Facility it may be for some of other products, which we are developing including injectables and derma, it would also been expanding the capacities of API facilities, so all around.

**Bhagwan Chaudhri:** Again if I can be particular, my question is, are we planning for this new facility for the regulated markets and have we finalized the budget.

**Ajay Desai:** No not yet.

**Bhagwan Chaudhri:** Thank you.

**Moderator:** Thank you. The next question is from the line of Shradha Patil from Wealth Managers. Please go ahead.

**Shradha Patil:** Good evening. Thank you for giving me an opportunity. Sir if you could please provide the breakup of the international formulation business?

**Ajay Desai:** Which breakup?

**Shradha Patil:** The international formulations in the generic..

**Ajay Desai:** The breakup meaning what? Breakup means geographical breakup?

**Shradha Patil:** Generic and branded?

**Ajay Desai:** Generic and branded, as Pranav said branded is a very small portion, it does not get into the brand breakup category, so most of it is generic.

**Shradha Patil:** Sir, currently in the FY2016 we have three large products that we have launched, so out of which two are from the partner and one is from own team and sometime back you mentioned that **Celebrex** and Namenda are yet to gain good market share, so would it be a fair assessment that Abilify is again the main contributor for this quarter's performance?

**Pranav Amin:** Yes, of course it is a biggest product by far, but as I mentioned earlier the base business has also grown, some of the other products have also grown.

**Shradha Patil:** On a broad basis is again Abilify the major?

**Pranav Amin:** Yes it is a big product, yes.

**Shradha Patil:** Was this anticipated by you that this is the third quarter now where we are seeing Abilify contributing?

**Pranav Amin:** As you know I have mentioned that this is a partnered product, so we reflect numbers one quarter later, so this is a actually Q2 sale that were reflecting right now, so in that way it was anticipated.

**Shradha Patil:** Okay and what is the anticipation about the coming quarters?

**Pranav Amin:** It really depends on how it goes. There are seven people in the market, it depends how aggressively people try taking the market share, so I cannot give a guidance, first it is an important product, there is erosion already and as someone asked earlier, our partner did lose some market share and he has regained some.

**Shradha Patil:** We lost market share from the previous quarter's market share that you had given?

**Pranav Amin:** Yes.

**Shradha Patil:** Okay and again regained?

**Pranav Amin:** Yes, some of it.

**Shradha Patil:** Sir lastly I just wanted to get more idea about; in the last fiscal you had guided that you expect the international generic business to grow at a CAGR of 30%, 35% over a period of three to four years, so now on such a high base do you still see such as growth in the international generic?

**R. K. Baheti:** I think when you talk of growth plans over three to five years, you have to take a base year and if I recall correctly we have taken a base year of 2013-14, because that was the first year after our expansion of facility, so if you take base year of three to 2013-14 and then if you do CAGR of 30%, 35% now it holds good, but in every pharma company which is in generic space there will be opportunities, which will come once in a while.

**Shradha Patil:** Okay, but what is your expectation henceforth now since you had such a blockbuster?

**R. K. Baheti:** So we continue to say that my recurring sustainable business should continue to grow 30%, 35% out of my new launches out of my older products getting more traction, etc., but you cannot expect the growths to be calculated on 2015-16 numbers, so that is a statement I am making.

**Shradha Patil:** Okay, fine, but the base business, you expect good growth to continue?

**Pranav Amin:** Yes.

**Shradha Patil:** Thank you so much.

**Moderator:** Thank you. Next question is from the line of Surajit Pal from Prabhudas Lilladher. Please go ahead.

**Surajit Pal:** Thanks for taking my question. I have just one question is that you said the Zyvox you were planning to launch very soon post approval, I found some of the literature over there, I think one of the approved guy from India has reduced the price on the very first day by roughly around 98% to 99% and made the whole market irrelevant for generic competition. It has been happened after a long time. Question one is that is it the same thing which you have experienced? Question two is that, do you think the smaller guy with the desperation of having a bigger market share is going to be the trend going forward because majority of the generics in say next two, three years, which is the last phase of the generics pools will be hugely competitive, so I just need to understand your view that will it be that disparate attack on this kind of competition spoil the whole generic market?

**Pranav Amin:** I cannot comment on this one particular case. But what happens essentially in generics and see we tried doing what is in our control and our control is trying to get the approval on time, number two launching on time and number three ensuring that our supply chain remains ready and we are competitive as responsive, so we tried doing that. As regards pricing yes I think some times people do get a little aggressive with pricing in order to get market share then we have to do what we do, so we do try competing now is someone drops prices I really cannot do anything. If it is still viable for us of course we will start keep selling the product.

**Surajit Pal:** Do you believe that it will be trend or it will be just one-off?

**Pranav Amin:** I think this is something that has been going on for the last 10, 15 years, so it happens every time. It depends on the number of competitors and depends how greedy someone is for market share. It is new trend.

**Surajit Pal:** The other thing is that your warfarin, if it is 505(b)(2) do you believe that it would be possible given your presence over there to have the sizeable market share?

**Pranav Amin:** For which one?

**Surajit Pal:** Warfarin 505(b)(2)?

**Pranav Amin:** Actually warfarin as I mentioned in the last call, I do not know how exciting, how big an opportunity is going to be, it is a with a partner right now, so let us see what they come up with, I think it is too early to say.

**Surajit Pal:** What is the current market size of the product?

**Pranav Amin:** I do not have that. I can e-mail that to you offline.

**Surajit Pal:** Thank you.

**Moderator:** Thank you. Next question is from the line of Hardik Bora from Union KBC Mutual Fund. Please go ahead.

**Hardik Bora:** Congratulation for good set of numbers and thank you for the opportunity. Question on the Indian business, Shaunak Bhai, I am referring to the slide #10 in the presentation that you guys have shared, the growth for MAT 2015 is 14.9% versus the IPM growth of 14.5, this takes into account, the Altrocin revise the lower pricing for the year?

**Shaunak Amin:** Yes.

**Hardik Bora:** Can you tell me excluding that impact what would have the growth been?

**R.K.Baheti :** It would have been 200 basis points high.

**Hardik Bora:** What was that driven by, did we regain some market share on Altrocin or was it growth from other products?

**Shaunak Amin:** Growth from other products.

**R. K. Baheti:** You would have seen in the presentation itself that our speciality business grew 22%, acute grew a little slower with 10% because of the price cut.

**Hardik Bora:** You maintain the target to which 75% of your formulation business from speciality?

**Shaunak Amin:** We do not have a target for speciality versus acute what we go by is we would not be participating in all high growth evolving markets where we have opportunity to build large brands that determines it whether the mix is going to be speciality, acute, it is not done as a certain benchmark, but if I take the market into perspective, the market for speciality products is outgrowing the acute product mix, in general for IPM, so it will be logical to assume that speciality should take over a larger chunk of our total sales.

**Hardik Bora:** Okay, given this shift in business mix just wanted to get your some broad sense on how the profitability, margin profile is shaping up in the domestic business, how is it, anything that you can share on that front and how is it expected to go forward?

**R. K. Baheti:** So what happens while the margins on business, which gets matured, improves, we are also continuously investing in the newer therapies and creating newer dividends, creating additional divisions to do the same therapy for keeping our growth momentum going, so I think we will continue to invest and this investment does not get capture, as investments it gets captured as expense, so while the margins on products, once they get settled, improves, I think that is reinvested in the business growth. I hope my answer is clear? But generally speciality business or the speciality therapies will offer a better margin than the acute, but this is a general statement.

**Hardik Bora:** In terms of the restructuring process you were doing in the MR front, is that largely done?

**R. K. Baheti:** Done, quite sometime back.

**Hardik Bora:** Question on the US pipeline bid, we have launched 30 ANDAs so far with the three launches this quarter?

**R. K. Baheti:** Yes, 30 is in the market, yes that is right.

**Hardik Bora:** In the market, that is out of the 42 final approvals that we have.

**R. K. Baheti:** Yes that is right. Final approval is including tentative.

**Hardik Bora:** Final is 45, right, so this was alluded in the beginning of the call, I just want to clarify that, so from our own pipeline are there some products from these 12 launched approved ANDA that we also target to launch over the next couple of quarters, I am assuming some of those ANDA were not launched because the partners did not launch them?

**Pranav Amin:** It depends, there maybe some, by and large we look at more the new products and some of the existing ones which we will move probably.

**Hardik Bora:** Sir, last question if I can squeeze in one Baheti Ji last time you indicated that the staff cost growth for the whole year should be 20% year-on-year is that the run rate you still maintain absolute number?

**R. K. Baheti:** No I think because the expansion as I was discussing I think the expansion plan is much aggressive than what we had anticipated in the beginning of the year, so probably it will go up more.

**Hardik Bora:** So this quarter we reported Rs.117 Crores in staff cost I mean I just want to know the number if is absolute on the expected to decline?

**R. K. Baheti:** It would not decline, recurring number.

**Hardik Bora:** Thank that answers my questions. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Charulata Gaidhani from Dalal & Brocha. Please go ahead.

**Charulata Gaidhani:** My question relates to the US business at what rate is the base business expected to grow in the future?

**R. K. Baheti:** I said in response to the previous question that we expect a CAGR of 30%, 35% over a longish period of time from a base year of 2013-14.

**Charulata Gaidhani:** For the US business how much of the growth is because of Abilify and how much is Non-Abilify?

**R. K. Baheti:** What we said is a significant contributor, but we are not sharing individual product wise contribution.

**Charulata Gaidhani:** Thanks.

**Moderator:** Thank you. We will take question from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

**Rahul Sharma:** Sir we disclosing unregulated markets in international formulations, we have clubbed it up this time, can we disclose the numbers for the quarter and the nine months and secondly on the expenses front wanted clarity on, there has been quite volatility in that, was there an exchange you gain in the quarter?

**R. K. Baheti:** There were some exchange gain, but not significant and branded formulation in the international business is about 5, 6 million dollars cumulative.

**Rahul Sharma:** This for the quarter Sir?

**R. K. Baheti:** Cumulative nine months. If it has been 5, 6 million dollars a quarter I would have disclosed it separately in any case.

**Rahul Sharma:** Okay and the volatility, which is there how, do we assess this going ahead Sir?

**R. K. Baheti:** Volatility in what?

**Rahul Sharma:** Other expenses?

**R. K. Baheti:** There is no volatility. I mean I do not understand what is volatility in?

**Rahul Sharma:** Because 20.5% of revenues in preceding quarter and it has gone down to 15.6%?

**R. K. Baheti:** Revenue base has gone up Rahul, you need to appreciate.

**Rahul Sharma:** But Sir even it was Rs.200 Crores on absolute basis. It has come down to Rs.145 Crores and your revenues were probably around close to Rs.1000 Crores and now it is Rs.921 Crores,

**R. K. Baheti:** You are talking about the previous year or corresponding last year quarter?

**Rahul Sharma:** No I am saying preceding quarters, because Abilify has been there in both the quarters?

**R. K. Baheti:** Let me check the number and let Mitanshu respond to you.

**Mitanshu Shah:** This was clarified last time during the call. We had some expenses of launching Abilify basically and there are a lot of IPM as a related cost and that is why we had this one time shoot up of cost in last quarter, the run rate that you see now is more of going to be for the coming quarters.

**Rahul Sharma:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen that would be the last question. Management, would you like to add any closing comments!

**R. K. Baheti:** Thank you everyone for participating and look forward to talking to all of you during our annual results concall. Thank you very much.

**Moderator:** Thank you very much members of the management. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.