



“Alembic Pharmaceuticals Limited Q2 FY 2016 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Alembic Pharmaceuticals Limited Q2 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Malik from Edelweiss Securities. Thank you and over to you Sir!

Deepak Malik: Thank you. On behalf of Edelweiss, I welcome you all to the briefing of second quarter results of Alembic Pharmaceuticals. Today from the management side, we have Mr. Pranav Amin - Joint Managing Director, Mr. Shaunak Amin - Joint Managing Director 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: Thank you Deepak. Thank you everybody for joining the call. Most of you would have received the results and our presentation. However, let me briefly take you through the numbers. During the quarter ended September 30, our total revenue grew by 85% to Rs.1018 Crores, EBITDA at Rs.376 Crores is 37% of sales, the growth of 250%, and net profit after tax grew 274% to Rs.289 Crores. For the quarter, the EPS works out to be Rs.15.32 per share against Rs.4.10 per share these are quarterly numbers. The company is now debt free net of cash in hand as of September 30, 2015. I will hand over the discussion to Pranav who is sharing the insights on the international business.

Pranav Amin: Thank you Mr. Baheti. Good evening everyone. For the quarter, the International Generics grew by 342% to Rs.559 Crores. API business grew by 43% to Rs.137 Crores. As mentioned in our last call, we have successfully launched Aripiprazole Generic on day one and this has significantly contributed to our performance. As you know, this is the limited competition opportunity and partners did good job in getting market share.

Our R&D spends both capital and revenue is at Rs.96 Crores for the quarter which is roughly 9.4% of sales. R&D is going to be driver for our future and hence we to continue to invest aggressively in our R&D projects.

We have received two ANDA approvals during the quarter taking the cumulative approvals to 44. This includes four tentative approvals. We also filed three ANDA applications during the quarter taking cumulative ANDA filings to 70 plus 1 505 B(2) making it 71. We filed two DMF in the quarter which cumulative 75 DMF filings.

Our goal as I mentioned over the last few calls is to have own front end up and running by the end of the year. I am happy to inform that we have launched first product on the

Alembic label in the US. Our plants continued to remain in compliance and that is going to be a focus area in the future as well. I now request Shaunak to take you through the Branded Formulation business.

Shaunak Amin: Good evening everybody. This quarter, the India business has been quite flat. The brand business clocked a sale of Rs.285 Crores and the growth of specialty was 21% and the acute degrew by 9%. In this degrowth, Althrocin revised pricing was one of the major contributors, but overall we did see degrowth on cough and cold and acute in this quarter which is almost 50% of our portfolio. Our specialty division did well and we continue their growth numbers and most of them are growing fast in the RPM. Our cardio-diabeto division is amongst the fastest growing divisions in the industry today and one major landmark is a brand of Telmisartan is the third largest Telmisartan brand and it is also the fastest growing brand in this bucket. On the capex side and operational side, our commercial production in Sikkim has just partially started and we expect it to be fully operational by December 2015. Now, I open this forum for Q&A please.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Rohit Oza. He is an Individual Investor. Please go ahead.

Rohit Oza: Great set of numbers. Congratulations. My question is both Celebrex. Can you give an update on that?

Pranav Amin: So, Celebrex as you know we got approval for the ANDA in the last quarter and we have recently launched with our partner.

Rohit Oza: It has already started selling?

Pranav Amin: It is still early days, but yes, we have launched it.

Rohit Oza: My next question is about the Bioequivalence Center, so can you give us some more information on what it is all about and what potential does it hold for Alembic?

Pranav Amin: Bioequivalence Center, if you want in terms of potential is the part of R&D services, F&D services. If you want offline, we can e-mail you separate presentation on what we do. In terms of potential it is just more value and internal service that we do.

Rohit Oza: Thanks Sir. I will get back in the queue.

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

Nimish Mehta: Thanks for taking my questions. First of all now that we have the front end operations in the US are we likely to shift Abilify on our own from the currently market partnered product?

Pranav Amin: What our goal for the front end, Nimish is we slowly want to gradually build up our own business. It takes some time. By the time we get settled with the supply chain ensuring everything is set. It is too early to comment on product specific right now.

Nimish Mehta: In terms of US business performance how would the performance be on ballpark basis except Abilify and Abilify do we see erosion in the next quarter, because we had a lot of channel filling in this quarter that is right assumption?

Pranav Amin: Two things, one I think the rest of the business has also grown in the US. We have some approvals as you know so the rest of the business has also grown and number two, in terms of aripiprazole is hard to comment for me, because I guess this is with partner we are not selling it directly. However, what is in the public domain what I have seen is that our partners lost some market share.

Nimish Mehta: What I am trying to understand, is there any implant of channel filling that would have happened that would have done by your partner. So do you get the profit on the channel filling in inventory which is booked in this quarter?

Pranav Amin: The way it works as we get the profit a quarter later, so what we are reflecting now is actually the sales are happen in April and May.

Pranav Amin: Sorry May and June, so two month sales, so what is happened in the next three months, will get reflected in our results in Q3.

Nimish Mehta: Your profit reflects the sales that would have happened at the retail level right, not at the inventory fill up level?

Pranav Amin: This is a net what has happened after all adjustments.

Nimish Mehta: Finally, two things again, one if you can just guide us on the filing of warfarin has it happened you would said that it is happened in this quarter?

Pranav Amin: This is with the partner. It has happened.

Nimish Mehta: It is happened in terms of launch time and roughly about year from year is that what we can explain?

- Pranav Amin:** I think so, again this is with partner, so they said they are in discussion so, I believe it has happened.
- Nimish Mehta:** If you can guide something on the R&D expenses, this quarter give it in a robust growth, so how do you take it forward?
- Pranav Amin:** I think as I have been saying the last three calls we will continue spending on R&D. Of course this quarter has been higher along with capex was set about 9.5%, but I think by the end of the year, we should be about 8% or so.
- R. K. Baheti:** It depends on the base also, larger base also, but I think on absolute number, R&D expense will continue to see a good growth.
- Nimish Mehta:** Growth from the current quarter level also?
- R. K. Baheti:** Not from the current quarter, I am saying from the corresponding quarters.
- Nimish Mehta:** YOY, year-on-year and on absolute basis like?
- R. K. Baheti:** When Pranav talks of this Rs.98 Crores, you would have seen that Rs.77 Crores is charged of to expense, that is rest is capital.
- Nimish Mehta:** Right and if that something which is recurring or continuing?
- R. K. Baheti:** Capex not really, but Opex would be more or less similar number, that can be honestly depending on the bioequivalence etc., some numbers will keep changing.
- Nimish Mehta:** If I can squeeze one more on the domestic front, Shaunak if you can just reflect, I mean we had been pretty confident of achieving about 18% or kind of growth in this year, I understand that there has been some price cut in the largest brands of us, how do you see going forward from here on. I mean now do you see other quarter panning out?
- Shaunak Amin:** I think two things. One is I do not think we specifically said 18%. We said we will outgrow the represented market which could go up by 18%. Last quarter we generally had a very flat quarter for acute specially cough and cold and antibiotics for the industry, so but we feel that if hopefully things go back which we back to clocking the kind of growth numbers that we have been clocking in the past. Secondly, the price cut that we had was not for the largest brand, it is for oldest brand. I think that was expected. The brand is always under price control from as per DPCO 1995 only thing we saw further price cut as per the new guidelines.

- Nimish Mehta:** This was Althrocin, right?
- Shaunak Amin:** Yes for Althrocin.
- Nimish Mehta:** I understand. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ashish Thavkar from Asian Markets Securities. Please go ahead.
- Ashish Thavkar:** Thanks. On Abilify, it seems we had booked a lot of inventory this quarter, so what is your sense going forward? The same quantum of sales would be booked in quarter three also or they would be substantial cut?
- Pranav Amin:** We have not disclosed per product sales for any product, so it is tough to say. As I said what is the public domain is that partner has dropped some market share.
- R. K. Baheti:** Ashish, just to clarify. I do not look at the numbers what you trade inventory or pipeline inventory. I have given statement by partners, this is the sales, this is the profit and this is our shares and that profit we book as income in the quarter in which the statement is received.
- Ashish Thavkar:** Okay, since we are already in quarter three, the quarter three is already running, so whatever sales we did with our partner in quarter two that will be coming in quarter three?
- R. K. Baheti:** I am yet to receive the statement of Q2. When it comes after duly audit and there is a whole process.
- Ashish Thavkar:** Could you give us some update because last quarter you had mentioned that you are also investing some technologies like derma injectables, so how are we progressing on that?
- Pranav Amin:** Derma injectables these are two strategic areas that we do want to get into. It takes a long time doing that, so I mean I cannot say anything else that we started some investments with that is about it.
- Ashish Thavkar:** I was wondering from the view point of injectables since we are now thought of investing an injectable space, so have we got any hands on from the view point of US markets or the European markets, is there any strategy as to where we would be channeling these investments in injectable business?

- Pranav Amin:** Most of our efforts on R&D is towards the US, I think 80%, 85% of our R&D spend would be towards the US.
- Ashish Thavkar:** We would be partnering these or will be launching it our own level as and when it happens?
- Pranav Amin:** The point of doing our own label is that all future filings and all future approvals that we get, we do it on own label.
- Ashish Thavkar:** I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.
- Prakash Agarwal:** Thanks for the opportunity and congratulation on a very good set of numbers. First question is on R&D again the absolute number itself is all time high and clearly you said this absolute number and percentage to sales is likely to continue, is that correct?
- R. K. Baheti:** I did not say percentage to sales is to continue, but the percentage to sales will depend on the denominator and denominator will keep changing. So I said R&D as an absolute number will continue to grow with a decent growth rate from the corresponding absolute number of the previous quarter.
- Prakash Agarwal:** But we gave some guidance are of 8% of sales from that background?
- R. K. Baheti:** I repeat on a long-term curve, Prakash and you know better than most of us that on a long term curve you have to take more even out sales number to work out these percentages. So we stay with Pranav's earlier projection that the R&D spend which used to be 5%, 6% would now go to 7%, 8%; we stay with that statement.
- Prakash Agarwal:** With a higher base?
- Pranav Amin:** Yes.
- Prakash Agarwal:** Any number that we are looking for next year kind of filings because with incremental cost which we have been doing for last couple of years now, so we would expect filing runrate to increase and what would that be?
- Pranav Amin:** Prakash, last few calls I have been saying that in the last two years we have filed four and seven ANDAs, this year it is about 10 to 12 ANDAs or so. Ultimately yes absolutely the number should go up. Of course there is a long lead time as you get more complex projects

R&D spend for core project also goes up compared to what we did last year. From seven it should definitely go up this year and the year after as well.

Prakash Agarwal: When you say complex you mean filings towards this derma injectable or you mean into oral solids?

Pranav Amin: I am talking about all filings oral as well as the other ones.

R. K. Baheti: Just to clarify so that it can address any subsequent question also if any on this is that we do not look at R&D as a percentage of business. It is just a number. We look at R&D based on our R&D requirement, what we need to do and the actual expense on it. Percentage is just a derived number, so in real life there is number of sales and the number of R&D cost really does not have to follow a band.

Prakash Agarwal: The question was actually to understand is Rs.78 Crores or Rs.80 Crores of revenue R&D can this continue I mean or can it increase going forward?

R. K. Baheti: Some expense gets booked in some quarters, some quarters may have a little lower expense, and some may have higher expense. I think if you recall during the start of the year, we have said that Rs.250 Crores becomes a new base for R&D expense. We will stay with these numbers.

Prakash Agarwal: Thanks. Secondly, we have seen good product approvals in the last couple of quarters and just wanted to understand which are the products that we have actually launched or is it fair to assume that we have launched all of them, because in the past we have launched with some lag right?

Pranav Amin: We have launched the ones which are the bigger opportunity, ones that we have launched. Some tentative we cannot launch, some we are in the process of launching. Yes there is a lag but we ensure that before getting the market we study the competitive scenario, see what it is, what kind of opportunities there is before getting into it.

Prakash Agarwal: Sir, Celebrex you clarified you have launched with the partner?

Pranav Amin: Yes that we have.

Prakash Agarwal: Okay, because it is certainly a very large product and your strategy is to get into the base and then pick up, so it is fair to assume that this could be a big product for us?

Pranav Amin: There is already quite a few strong incumbents there, so let see how much market share of partner can take and what price that we determines it. It is early days I think as I mentioned so we get clarity in the next few months.

Prakash Agarwal: Okay, but this can be a good product for us Sir?

Pranav Amin: It is a different product right now, it is a variable you know but it is a good product.

Prakash Agarwal: Lastly Sir if I look at the statement that you made on Abilify that May and June with the two months, but my understanding is we were ramping up our market share in that product and we would also get three months of sales as a partnered product for the upcoming quarter, so our runrate should be better of going forward is that a fair assumption for at least for the upcoming quarter?

R. K. Baheti: It is difficulty to say for this comment, so I think we will discuss when we cross the bridge.

Prakash Agarwal: No, from an understanding perspective is that directionally a right observation or it is I am missing something?

Pranav Amin: There are two things. One is you are right. The ramp up did happen because launch was in April by the time all the generics not just us, our partner, but all the generics started picking up market share. It got ramped up. There was a new incumbent in the market in first week of August or so. So after that we did lose some market share, so it is tough to say yes, on the other hand we are seeing there is erosion in market share as well as price.

Prakash Agarwal: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Kunal Randeria from JM Financial. Please go ahead.

Anmol Ganjoo: My first question is related to Abilify, now it is in the public domain, there has been a loss of market share from peak levels, but just if you could share your assessment in terms of where are we in the pricing curve you know you think that this erosion is at or we expect further erosion in terms of the pricing sheer dynamics if you could just share your thoughts on where we are in the curve?

Pranav Amin: It is tough to make a comment. I cannot really comment on where the prices are currently, but as you know each time new incumbent comes in and it really depends how much all the people want to hold on to, each a new entrant comes in and how much and incumbent wants to hold onto the market share. If someone is happy with lending the new guys are also

happy, then you do not see so much of a price difference. As you know there is another entrant that has come in Aurobindo they got approval, so market is still panning out right now, let us see how it does it is tough to say right now.

Anmol Ganjoo: So, would it be fair to assume that we are still sometime away from trough as far as share is concerned?

Pranav Amin: Sorry, could you say again that?

Anmol Ganjoo: We are still some distance away from trough in the market share?

Pranav Amin: Definitely I think there are still seven people, there is only about 6, 7 people in the market right now. So, still does not want to trough, it is a very effective opportunity. Having said that it is in the public domain, we have lost market share and because of new entrant there is price erosion, so it will come down, but it is still quite attractive.

Anmol Ganjoo: Second question is on Celebrex, for what duration would sales be reflective in this quarter's number?

Pranav Amin: I do not think there are any sales of reflective of Celebrex in our Q2 numbers.

Anmol Ganjoo: My third question is if you look at broader trends in pricing, how is our base portfolio in doing in terms of pricing any impact of channel consolidation any thoughts on what are ask rates for new product launches has to be?

Pranav Amin: **Here** again Anmol it is very tough to say what has happened in the market in terms of our cost where we are against the market and some other older products, I think it is fairly steady. I think it is more determined by if you see a new entrant in the market and what happens or vice versa what you have seen more of off season time is when someone exits the market. So it very depends every time something like that happens then that is what disrupts the prices. From overall portfolio as I mentioned earlier to somebody else where we have grown apart from Abilify also.

Anmol Ganjoo: I know you spoke about it in response to earlier question, but if you could just throw some more light on our strategy regarding the front end you said that we have gradual scale of process, if you could just share your thoughts on the impacts what it is going to have on the margins and timelines associated with the full ramp up, will our front end be ready for example sell warfarin when eventually it is launched. It is around that would be?

Pranav Amin: What happens, there are some products. Now very old products are left which are still tied up with partners very few of them. In future all of them will be on our front end. Right now we just launched first on a front end to Memantine. It just got launched last to last week and moving forward we will gradually increase activities. As you know we want to ensure we do it right the first time around, so we are not in a hurry, but all future launches are tough so most likely post March 2016 you would see us launching everything on our own front end.

Anmol Ganjoo: That is helpful. My second question is to Mr. Baheti, and I know there has been something which has been discussed in detail earlier during the call, but you spoke about we viewing R&D expenditure on an absolute basis and the percentage being a derived number, so could you just help us directly with the absolute number of that we should be looking at on an annualized basis for this R&D expense, so that we can derive the sales?

R. K. Baheti: I think I gave the number. The range is about Rs.250 Crores.

Anmol Ganjoo: Rs.250 Crores?

R. K. Baheti: So I think for the half year, I am just talking about Opex basis, so that includes how the capex number. We have already done 125.

Anmol Ganjoo: My last question before I will get back in the queue is that, tick the point that you know some price cuts etc., which has impacted the domestic performance, but if you look at the first half of the year it is probably the most decisive split in favor of specialty versus acute, is this likely to stay this way or you see further inching up contribution of specialty to the overall domestic basket?

Shaunak Amin: No, I think the way to look at it from macro point of view, how you determine is RPM growth of specialty versus the RPM growth of acute basket. The two growth itself will give you an indicator as to how both baskets were to move or to grow as per the same rate as the RPM, I think it would give you idea of how specialty and the acute contribution would move going forward. Though that being said, I think the second quarter which is the strongest quarter for acute has been weak with deficient monsoon throughout India. I think market numbers, IMS as well as AWACS show that acute especially cough and cold, upper respiratory which is bulk of where our acute business comes it has been extremely flat this quarter, so I think this quarter is one off.

R. K. Baheti: So effectively Anmol what is happening this 38% and 62%, the ratio would have been a little different had acute market was better.

Anmol Ganjoo: Thank you so much.

- Moderator:** Thank you. The next question is from the line of Mitesh Shah from ICICI Direct. Please go ahead.
- Mitesh Shah:** Thanks for taking my question. I just have one question about your domestic, you said that your specialty contribution was 62% right?
- R. K. Baheti :** That is right.
- Mitesh Shah:** If I do the mathematics than the specialty grew by 21% and acute degrew by 9% then it does not match the 3% growth which you have registered this quarter. So can you throw some light that how that mathematics came out, 3% of the branded formulation for the full year growth?
- Shaunak Amin:** I think get your decision why it is not matching?
- Mitesh Shah:** It is 68% portfolio grew by 21%?
- Shaunak Amin:** You are misreading the numbers. I think that India what is recorded is a component of generic, generic also which degrew which we not consider as a major part of the business. We are only talking about branded.
- Mitesh Shah:** I am talking about branded formulation, branded formulation your total growth was 3%, right?
- Shaunak Amin:** Yes.
- Mitesh Shah:** The specialty portfolio was 68% which grew by 21%?
- R. K. Baheti:** This 62 at the end of the year after this throughput. The start of the quarter it would have been 54%, 55% and I think last year it was 54%, 55%,.
- Mitesh Shah:** Last year it was a 56%.
- Shaunak Amin:** Yes.
- Mitesh Shah:** So that even I am taking into your portfolio is growing it should grow by 7%, 8% actually?
- Shaunak Amin:** It is better we take this question offline. I think Ajay will get in touch with you after the call.

- Mitesh Shah:** I just have another question on your export generic market. Can you tell us that in base business you sequentially grow in a base business?
- Pranav Amin:** Which business?
- Mitesh Shah:** Export generic market grew sequentially as well on a base business wise?
- Pranav Amin:** I said grew 334%, 350%.
- Mitesh Shah:** No, base business excluding Abilify, it is grew on a sequential basis?
- Pranav Amin:** I said there was growth in that business as well.
- Mitesh Shah:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** Just one question on the US business, how many pending of the product that you filed how many pending approvals which are there for us now roughly?
- R. K. Baheti:** Total 71 filings 44 approvals including four tentative the rest are pending approvals.
- Nitin Agarwal:** About 25 to 30 odd pending approvals. Typically, when you look at this portfolio, I mean obviously do not get into details of the kind of products which are there but qualitatively how should we look at the portfolio compared pending pipeline of products compared to the products that you have launched so far, is there qualitative where do you express that how do we look at it?
- Pranav Amin:** It is tough to say. I think compared to what we had earlier of course it is a little better but it is still not as complex as we would like it to be. There are few Para IVs and few FTFs on it, about 27 are pending.
- Nitin Agarwal:** If we look at it over the next 12 to 18 months, do you have specific visibility in some of these opportunities if any numbers you can throw at?
- Pranav Amin:** It is tough to say on the numbers. I can only say we are targeting about 6 to 8 launches every year from what is pending from the 27, but it is tough to say, because the market situation is dynamic we do not know how many players that is going to be and what is going to be happen.

- Nitin Agarwal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Kushal Gogale from IIFL. Please go ahead.
- Kushal Gogale:** Congratulations on good set of numbers. My question was regarding international generics only like it is more than tripled in this quarter. So actually what quantum of growth we should assume for the second half of the year?
- Pranav Amin:** We have not given any guidance, so it is tough to say. As I mentioned Aripiprazole is one of the key contributors to this growth, we have lost some market share so that we will gradually come down, but we have not given any guidance in terms of growth.
- Kushal Gogale:** Secondly APIs revenue has grown 43% YOY, so what has led to that?
- Pranav Amin:** That API for us if you see last eight quarters or so it really depends on quarter-to-quarter. In this quarter, there were some orders which had come together that we could supply except there is no other main reason why API business is not growing.
- R. K. Baheti:** To clarify, there will be some quarters where you will have larger captive transfer which does not get booked at API sales and some external orders are out, so that comes to degrowth. The volume of activity that the plant remains almost even throughout.
- Kushal Gogale:** Last question is like in this quarter we have operating margin of 37%, so what should be the runrate going forward, I mean second half of the year for FY2007?
- Pranav Amin:** I do not talk second half, but as I said earlier that from 19% on a long-term curve we would like to take it to 23%, 24% over next two, three years.
- Kushal Gogale:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Naresh Sharma from ICICI Prudential Asset Management. Please go ahead.
- Anand:** This is Anand here. Firstly the great set of numbers. Sir, I just wanted to ask something regarding the debt obviously we have become debt free right. Is it that because of this one time opportunity that we got, so does a chance to reduce that because debt levels are pretty comfortable, so or you have something in plans I mean in terms of capex or any other interesting opportunities?

- R. K. Baheti:** I have said in the past that most of the debt which was contracted when we had short term debt which we could repay out of the cash flow which we have and that is why I used the word of net of cash because there is still some debt of the book which is long term against that not matching may be slightly more cash on hand.
- Anand:** One more thing apart from US, how are the other markets doing?
- R. K. Baheti:** There are in line with our expectations.
- Anand:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Saravanan Vishwanathan from Unify Capital. Please go ahead.
- Saravanan V:** Good evening Sir. Thanks for taking my question. Congrats on good set of numbers. In terms of capacity, how are we placed and when is the next stage of capacity building required?
- R. K. Baheti:** It is a continuous process. I think capacity building has been continuous process. After that learning which we had 2012-2013 when we ran out of capacity, we have been diligent on this issue, we are adding capacities to API plant. We have built a new plant for domestic business and we are also doing expansion in our formulation plant.
- Saravanan V:** In the same plant, formulation plant?
- R. K. Baheti:** Plants of the international business.
- Saravanan V:** Any capex numbers that you can share for the year and how many spend for the first half?
- R. K. Baheti:** I think this year capex target is Rs.300 Crores plus, minus, so I think that is the no..
- Saravanan V:** In first half, have you done early 50% of that?
- R. K. Baheti:** No, we have done about Rs.115 odd Crores including the capital advances.
- Saravanan V:** Including the advances. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

- Rahul Sharma:** Thanks for the opportunity. Just wanted to ask you on staff cost has moved up on a Q-on-Q basis substantially, is it purely on account of the US front end or any other particular reason?
- R. K. Baheti:** Which one?
- Rahul Sharma:** The staff cost?
- R. K. Baheti:** I do not think front end, Pranav had earlier also clarified, front end is not a very large employee based organization. It is a very limited people organization. So staff cost in Q2 if you look at it from Q2 point of view, we have added team in R&D, we have added marketing teams in domestic business, also Q2 is when this performance bonuses get paid, so they all gets accumulated. You cannot compare it with the Q1 numbers.
- Rahul Sharma:** But more or less taking into consideration could this number be a good number to look at excluding the incentives and other things?
- R. K. Baheti:** You look at the whole year, last year and against that there will be an increase, which would be about 20% and that is how you should look at it.
- Rahul Sharma:** On Abilify I just wanted to know the profit numbers that we have taken into account is net of charge backs or charge backs will come in later on?
- R. K. Baheti:** As I said this is the numbers which is given by partners duly audited by their auditors. I mean beyond for me to comment on the detailed line by line item will be very difficult. But see what I can say is that this is the remittance done by the partner, so I do not expect any reversal in that.
- Rahul Sharma:** That helps. Thank you.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Thank you. I am not sure if you answered on other expenses why is that also high this quarter?
- R. K. Baheti:** Other expenditure this quarter is part of which is increasing marketing expense which would also include some US operations, but also a part of the increase can be attributed to some litigation cost which we had incurred for this Ari before launch there was huge amount of litigation.

- Dheeresh Pathak:** Can you like you have given guidance for employee cost R&D cost for full year can you also just help us to understand for full year?
- R. K. Baheti:** Actually we do not get into this line by line guidance numbers. I mean I think most analysts do it themselves.
- Dheeresh Pathak:** You said 20% higher, R&D you said Rs.250 Crores, now other expenses also look very high. It helps to understand the underlined expense and the one off will be helpful if you can just call it out the one of.
- R. K. Baheti:** Then I will have to sit with my budget numbers. I do not have the numbers right away.
- Dheeresh Pathak:** Can you call out the one off in the quarter?
- R. K. Baheti:** There is one off that is what I said there are some litigation costs which is one off.
- Dheeresh Pathak:** The amount if you can quantify Sir?
- R. K. Baheti:** I would not have it handy right now. Let me check the numbers?
- Dheeresh Pathak:** I will take it offline. Thank you.
- Moderator:** Thank you. The next question is from the line of Meeta Shetty from Kotak Securities. Please go ahead.
- Meeta Shetty:** Thanks for the opportunity. Firstly on the front end that we have when do we expect some products to rollout from our own marketing end?
- Pranav Amin:** We have just launched first product.
- Meeta Shetty:** That is Celebrex.
- Pranav Amin:** That is Memantine.
- Meeta Shetty:** Sorry, what is the name?
- Pranav Amin:** Namenda.
- Meeta Shetty:** Okay.
- R. K. Baheti:** Pranav already said the Celebrex is launched through partners.

- Meeta Shetty:** Celebrex launched through partners. Is the partner Trigen or Qualitest in this case?
- Pranav Amin:** We do not disclose any of the partners, but you can see market shares and you will be able to get it.
- Meeta Shetty:** Secondly now that Sikkim we expect by December 2015 we were expecting some tax benefits to flow in from there, so will that change our tax rate materially going ahead of starting this fiscal?
- R. K. Baheti:** Not really, because we are in MAT and we will continue to be under MAT.
- Meeta Shetty:** We will continue to see the similar tax.
- R. K. Baheti:** Only consolation at the back of my mind is my MAT credit gets accumulated and can be used for future tax liability in normal tax. That is where it is.
- Meeta Shetty:** Secondly on the price, the price impact that you have taken for the domestic product, What extent would that be and how much would impact for this fiscal?
- Ajay Desai:** Last time also we clarify saying roughly will impact Rs.18 Crores kind of figure on a yearly basis.
- Meeta Shetty:** Right, but as the earlier participant also had mentioned if I do some rough maths around it looks like Rs.15 Crores impact has come in this quarter itself, so I am not sure whether I am correct on that?
- Ajay Desai:** India branded business when we say it includes some portion of veterinary business, so when we take overall it comes to 3% otherwise whatever given is correct in terms of acute and specialty business.
- Neeta Shetty:** Thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Shradha Patel from Wealth Managers. Please go ahead.
- Shradha Patel:** Good evening. Thanks for giving an opportunity and congrats on a good set of numbers. If it would be possible, could you give me an idea about the market share that your partner had when you launched Abilify?

- Pranav Amin:** The market share has changed. I think when the partner launched in the first few months it was around 10%, 11%.
- Shradha Patel:** Okay and as of now?
- Pranav Amin:** It is less than 6%, but again this is as of Bloomberg but I do not know if this differs from IMS or any one else.
- Shradha Patel:** Okay and how does the whole market stand as of today the Abilify market?
- Pranav Amin:** After the first three months, there was one entrant and after another month there is another, so it is about six people in the market now. It is still an interesting option. I think people have settled down with their market shares to get a better perspective as you know new entrant just came in about a month back. So let us see how it pans out. It is still a good opportunity but let us see.
- Shradha Patel:** I just wanted to understand more about warfarin, so what kind of market opportunity, are you looking at for warfarin?
- Pranav Amin:** For warfarin to be honest I said in the last May that being a 505 (B) (2) it is tough to say, so I have not, it is an interesting product, but there is a lot of complexity in terms of how would be the marketing and how it will get to the trade, so I have not given any guidance or put anything on it.
- Shradha Patel:** Not any guidance I am talking about the market that you are targeting for warfarin. The market size is altogether.
- Pranav Amin:** This is a 505 (B) (2), you can just ask Ajay, he can email offline the market size of warfarin the generic.
- Shradha Patel:** Lastly I understand that you do not give any guidance but any long-term outlook from three years or five years perspective and how do you see the topline in the margins going?
- R. K. Baheti:** I think we have said in the past that on the long-term curve we expect 30% to 35% CAGR on international generic business and we would like to take our overall company margins from 19%, 20% to 23%, 24%, but you cannot compare this on an yearly basis and on quarterly basis.
- Shradha Patel:** That is why asked three year, five year perspective and what about the domestic business?

- R. K. Baheti:** The domestic business should grow faster than the market and I think it should be growing by 15% CAGR.
- Shradha Patel:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nimish Mehta from Research Delta. Please go ahead.
- Nimish Mehta:** Thanks for giving me another opportunity. While we launched Abilify, we also launched Abilify ODT oral disintegrating tablet and where I understand we are the only player in the market. If you could just let us know the addressable size of the product and what is the market share that we have there and have we seen any competition there for post launch?
- Pranav Amin:** Yes, we did recently launch the ODT also through our partner and yes we are only ones in the market in fact I think the innovator also had pulled the product out of the market, but it is a small product. It is only about 15 odd million.20 million. So our partner is picking a market share and let us sees how that goes.
- Nimish Mehta:** When did we launch?
- Pranav Amin:** We launched about a month-and-a-half about sometime in August, if I am not mistaken.
- Nimish Mehta:** It is about \$15 to \$20 million of market size.
- Pranav Amin:** Annual.
- Nimish Mehta:** Okay and all the other entrants who entered Abilify off late, Aurobindo and Apotex, they have not yet launched ODT right, is that a fair understanding?
- Pranav Amin:** No, on ODT we are the only ones in the market.
- Nimish Mehta:** You were only once in the market.
- Pranav Amin:** Yes.
- Nimish Mehta:** Secondly generally on the pricing of Abilify have you seen quite a bit of come off post Apotex coming in or it just kind of more or less held up to the earlier prices.
- Pranav Amin:** So as I mentioned each time a new entrant comes in there has been some price correction, so from where the first four people was there in the market, Apotex coming and now Aurobindo coming, yes we have seen some I believe there is some erosion in the market.

- Nimish Mehta:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Runjhun Jain from Nirmal Bang. Please go ahead.
- Runjhun Jain:** Thank you for the opportunity. Congratulations for the management team for the good set of numbers. Sir, all other questions have been answered, but I just have one if by chance I have missed out. Have you quantified the kind of a growth in the base business in US we have seen during the quarter?
- Pranav Amin:** No.
- Runjhun Jain:** You are not commenting on it?
- Pranav Amin:** No. As I said that business has also grown, but we have not commented on the number.
- Runjhun Jain:** But what is the outlook? I mean you are saying, Mr. Baheti had said that you are expecting that is 30% to 35% CAGR, so you are maintaining that?
- Pranav Amin:** Yes.
- Runjhun Jain:** Thank you Sir.
- R. K. Baheti:** I think we can take last one or two questions if there are any then we can wind up, because I think most of the common questions have been answered.
- Moderator:** We will take the next question which is from the line of Hardik Bora from Union KBC Mutual Fund. Please go ahead.
- Hardik Bora:** Good evening everybody. Congratulations on a good set of numbers. On 40 ANDA is approved, how many have you launched so far?
- R. K. Baheti:** 27 or 29 in the market.
- Hardik Bora:** 27 have been launched, so balance about 13 I mean how many are we expecting to launch in the near term, I am just trying to understand if you can give out a number?
- Pranav Amin:** As I mentioned what the balance ANDAs are left, some are tentative, so we cannot launch about four or so are tentative. The rest is we are in the process of either launching or we might not launch some of them depending on the market situation. In terms of the US, new

launches as I said earlier I think we will do about anyway between six to nine launches every year for this year and the next two years as well.

- Hardik Bora:** Okay, in terms of filing how many do we intend to file every year?
- Pranav Amin:** Last year we filed seven, there should be ramp up this year, we should expect anywhere between 10 and 12 filings and moving forward gradually go increase that number as well.
- Hardik Bora:** Thanks for that. Mr. Baheti, for the capex you said you will be doing Rs.300 Crores for the year, is that correct?
- R. K. Baheti:** Yes.
- Hardik Bora:** You did about Rs.250 Crores last year and you are doing 300 Crores this year, can we say that most part of the capex will be done after these two years and we can see like slightly lower number going forward?
- R. K. Baheti:** Not really because the way we are anticipating business to grow, we have further plans, but I think that we need more clarity on lot of inputs we are trying to get, so as of now I am not commenting on 2016-2017 numbers. I am not saying we will be scared up making further capex if there is a need.
- Hardik Bora:** That is helpful. I mean you already answered a lot in Abilify, just one question. You know from your side in terms of volumes that you have been supplying in May and June and for the second quarter went, have the volumes being more or less steady?
- Pranav Amin:** As I mentioned market share already gone down. It has halved.
- Hardik Bora:** That explains. Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Preeti Arora from Enam Asset Management. Please go ahead.
- Preeti Arora:** I may have I missed this, Mr. Baheti, did you quantify the one-offs than the other expenses line item?
- R. K. Baheti:** No, I did not
- Preeti Arora:** But there are one-offs?

- R. K. Baheti:** I do not know whether you call it one-off. There can always be some quarter and you will have some expense which may not recur in the next quarter. I do not call it one-off.
- Preeti Arora:** It is lumpy in nature so it came more in this quarter? But for the balance second half it may not occur or may not occurred to that magnitude?
- R. K. Baheti:** Absolutely.
- Preeti Arora:** Pranav, out of the 27 ANDAs pending, can you just tell us how many on our partnered?
- Pranav Amin:** It is out of the 27, I think about few of them must be less partnered, four or five of them.
- Preeti Arora:** Okay and you have an approval for Pristiq, when do you expect launch that and is that partnered also?
- Pranav Amin:** I cannot comment on that, because it is under litigation or it is under settlement.
- Preeti Arora:** Sir you have settled for that right?
- Pranav Amin:** It is under settlement, so I cannot comment on either the launch or the partner.
- Preeti Arora:** One last question, how many launches in US have you made this year? I mean it seems like this year might have been very good for you and is there any risk of say the number of launches falling next year?
- Shaunak Amin:** I do not think so, I think in terms of launches as I said we will do anywhere between six to nine or six to eight launches every year in the US, this year, I think so far in the year we have done two launches plus one that we did right now in Q3.
- Preeti Arora:** Did you get an approval for Exforge HCT or you did not?
- Pranav Amin:** Not Exforge HCT.
- Preeti Arora:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the floor over to the management for closing comments.
- R. K. Baheti:** Thank you again for all the participants for the lovely discussion and lively discussion, so look forward to talk to you again Q3 call. Thank you very much.



Alembic Pharmaceutical Limited
October 27, 2015

Moderator: Thank you. On behalf of Edelweiss Securities Limited that concludes this conference.
Thank you for joining us. You may now disconnect your lines.