



“Alembic Pharmaceuticals Limited Q1 FY 2018 Results
Conference Call”

July 20, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the Alembic Pharmaceuticals Limited Q1 FY '18 Results Conference Call. We have with us today, Mr. Pranav Amin – Managing Director; Mr. R. K. Baheti – Director-Finance and CFO; Mr. Mitanshu Shah – Senior Vice President, Finance and Mr. Ajay Kumar Desai – Senior Vice President-Finance and Company Secretary. As a reminder, all participant lines will be in 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 this conference is being recorded.

I now hand the conference over to Mr. R. K. Baheti. Thank you, and over to you, sir.

R. K. Baheti: Thank you. Good evening, everyone. Thank you all for joining the first quarter results conference call. Most of you would have got the results by now. Let me briefly take you through the numbers for the quarter ended 30th of June 2017.

During the quarter, the total revenue de-grew by 12% to 648 crores. EBITDA at Rs. 105 crores is 16% of the sales. The pre-R&D EBITDA is 30% of sales. Net profit after tax went down by 36% to 65 crores. EPS for the quarter is obviously down at Rs. 3.54 per share versus Rs. 5.50 per share in the previous year same quarter.

CAPEX program is going on as per schedule. For the quarter, we have spent almost Rs. 230 crores on CAPEX including the capital advances. And in addition to that Rs. 62 crores of CAPEX was spent by Aleor JV.

I would hand over to Pranav for detailed discussions on the business.

Pranav Amin: Thank you, Mr. Baheti. Coming to R&D first, in the first quarter, we filed 6 ANDAs and 4 DMFs. We spent roughly 94 crores, which is roughly 14% of sales on R&D. Our efforts to add capabilities are progressing well. The Oncology facility for oral and injectable formulations was inaugurated on 14 July. The general injectable facility as well as the derma facility in Aleor, both will be ready by the second half of FY 2018, and we have commenced work on a new oral solid dosage facility this year.

All our plants continue to remain in compliance. We received 6 new approvals during the quarter. With this, now cumulatively have 58 ANDA approvals including 6 tentative approvals. We also launched 5 new products in the quarter. Our Algerian JV, Alembic MAMI SPA has commenced commercial operations in Q1 and launched four products in the market.

Coming to financials, the International Formulations business de-grew by 9% to Rs. 282 crores for the quarter compared to 309 crores last year. This is largely due to the price erosion in Aripiprazole as expected. Ex-Aripiprazole, the base business did have some growth because

we had some new launches as well. The US had sales of 211 crores for the quarter. And on a sequential basis, the US grew by roughly flattish, but about 5% or so.

The API business remained flat at 130 crores for the quarter. Talking about the Branded Formulations business, the quarter was bad for the India Branded business. I think this is predominantly due to the transitional provision of GST. However, we hope to recover lost grounds in Q2. The India Formulations business for the first quarter was 236 crores as compared to 299 crores in the corresponding quarter last year.

Now, I would like to open the floor for Q&A.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have our first question from the line of Anmol Ganjoo from JM Financial. Please go ahead.

Anmol Ganjoo: My first question is to Shaunak. Shaunak last quarter in your opening remarks, you had said that the GST challenges two clear components; one is the internal challenge, and the second is the external. Given the pace of decline, what do you think surprise negatively? And second, follow-up to that is that what part of the disruption is according to you more structural in nature? You know, while we understand that growth will come back in the next quarter, are there any changes in behavior either from the distributors side or from some of your potential competition, which could also potentially exert pressure on margins? Thank you.

R. K. Baheti: Thanks, Anmol. Shaunak is not there, so I'm taking this question. Of course, you can touch base with him separately if you wish to. On this India business, I think in hindsight we didn't do as bad as lot of other companies have done. Of course, we are not happy. But as far as our internal preparedness for GST was concerned, we were perfectly on dot. We commenced the new billing on 1st of July. I don't know of any company, which could claim that. We had, the transitional period for only two days. So, I am pretty happy with the way we did the transition, so that challenge was adequately met with. As far as external situation was concerned, I think it was bad and it went bad to worse because of lot of key clarifications coming from the government at the last minute. As late as on 29th of June also, they were issuing some new notifications and some clarifications. Most of you are aware that the trade channels in pharma has a very strong body, and they took a call that they would do destocking whatever company assures them of compensating for the losses etc. because technologically probably they were not as confident. Most companies said that if you are compliant and still you suffer a loss, we will reimburse the loss. So lot of their member stockists or the sub-stockists were not prepared. So there was a destocking across the sector. Some reports tell me that the inventory levels in trade went down from almost 45 days- 50 days to less than 15 days, which means one month's entire primary sales for the sector was gone. I don't think there has been a lot of structural change. While I am interacting with my field people, I understand that our field activities are on the spot and the prescription generation continues to be healthy. So we hope to recover.

Possibly, the trade channel may refill the inventory little slowly. but I don't think otherwise there is any structural change. See the issue which created the most trouble was the stockists were allowed to take only 40% of the excise duty which was paid on the stock. And that created most of the confusion on how that value will be created, what documentation will be asked for, how the credit will be used, and so on and so forth.

Anmol Ganjoo: That's helpful. And if you look at, do you think you have enough visibility to, I know not an exact number, but to look at FY 2018 as a full year, and just say that you know given that we had also lot of demonetization impact last two quarters or at least the second half of FY 2017. What we could grow at for the full year, or it is too early?

R. K. Baheti: I don't wish to talk of a number because I don't know how the channel filling would be done eventually, but I think the prescription generation and the secondary sales should pick up in the next two quarters.

Anmol Ganjoo: And revert to old levels of market growths..

R. K. Baheti: No, I do not know whether the inventory levels will be maintained at old level, but I think competition will force stockists to maintain the adequate inventory so that they don't lose out to the other fellow stockists.

Anmol Ganjoo: Thanks. My second question is on the US business, obviously international, after Aripiprazole pricing erosion last quarter, we have grown sequentially after a long time. So that's good news, but when we look at, a lot of new growth drivers kicking in and the investments that we have made, how far are we from seeing a strong recovery in the US? And how do we look at the international generics market both on a US and a non-US basis for the full year?

Pranav Amin: Somewhat Anmol, the US market, see I think two things have happened in the industry, price erosion and additional competition. From where we stand, one thing that we are facing obviously is we had this big chunk of Aripiprazole that was there. Now if I take Aripiprazole out of the question for this quarter compared to the same quarter last year, we have grown by over 15% as predominantly due to some new launches and some of the other products where we have picked up market share. So that's an encouraging trend for us. Second, for most of our products post GDUFA we are seeing much faster approvals. I think the approvals we are seeing right now, and the last two approvals we've got under two years, so that's a heartening trend. As far as the new facilities are concerned, those are all coming online now. However, it will still take about a 1 ½ - 2 years of approval, when we will have the commercial sales coming on the new facilities. We still believe there is lot of opportunity for us. Yes, there is competition, but as I mentioned, we are seeing approvals going faster. We have ramped up our R&D. We should hopefully file more than 20 products this year. As regards the other markets, we have limited presence, in fact no direct presence, but we supply through partners. That is

going well. I think, we won some tenders in Europe. We have good supply chain partners in Australia and Canada as well.

Moderator: Thank you, sir. We have next question from Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just a followup from the earlier participant, and Mr. Baheti's comment of refilling slowly. Just trying to understand that, what I understand is normalcy is still not attained and the chance of recovery of lost sales is not there, is this what the right understanding?

R. K. Baheti: No, that's not the right understanding. The lost sales will be recovered. How fast it would be recovered is a question which we have not been able to answer at this moment.

Prakash Agarwal: No, so lost sales of Q1, can that be recovered is the question?

R. K. Baheti: Yes, it would be recovered surely. Assume that the channel inventory was 45 days, and it has fallen to 15 days. And gap would be between 15 and 45, it would be recovered. A. B, whether it will stay at 45 days or they will compress it to 40 days or 38 days, it is again a question,. I believe competition will force stockists to keep inventories. So I believe 45 days was a reasonable inventory, which will come back to the market which would result in our recovery in the primary sales. I hope this answers your question.

Prakash Agarwal: Yes, thanks for that. And secondly, the other expenses particularly down as a percentage to sales, would that be related to the variable compensation to the MRs or is there more to it?

R. K. Baheti: Some of the selling and promotion expenses are in relation to the lost sales, but not really to the MRs.

Prakash Agarwal: Okay. So promotion as a percentage to other expenses will be a big portion?

R. K. Baheti: It is a big expense. I mean, the leading pharma companies' P&L, that's a big number.

Prakash Agarwal: Understood. And coming to facilities, so there is a comment in the presentation and Pranav also made a comment, by the first half 2018, you expect a couple of the facilities to start, right?

Pranav Amin: Yes, that's correct.

Prakash Agarwal: So when you say start, it means what? I mean, the batch quantity will start or ?

Pranav Amin: What I mean start is the facility construction is complete and it's ready. Once that happens then it gets handed over to the manufacturing team, they do the plant validations; they validate the equipment. Then we start doing the R&D batches, then you do the exhibit batches, and then we file the product. So it will be ready for R&D use and exhibit batches.

- Prakash Agarwal:** Okay. And the filings as you mentioned will start from 2019 and approvals anywhere from there?
- Pranav Amin:** Yes, correct.
- Prakash Agarwal:** So the depreciation would only start from once the product gets approved and commercialize, I mean, monetary benefits start coming in?
- Pranav Amin:** Yes, that's correct.
- Prakash Agarwal:** Okay. And one clarification on the tax burden on the GST, which is the earlier tax bucket of 9% and now moving to 11%, 11.5%. So there was an article floating around that it will be passed on to the consumers. Have that been approved or what is the current status, sir?
- R. K. Baheti:** No, that has not been approved. The government has clearly created two segments. For price controlled products, what we call scheduled products, which is about 20% of our business, the price rise has been approved.
- Prakash Agarwal:** Where the price hike has been approved?
- R. K. Baheti:** 2.3% has been approved. However, on non-controlled products, there is no price rise. It has to be absorbed within overall price rise limits of 10% the industry is allowed. So the companies who typically take full price rise advantage would have a hit on margin. The products on which, in any case we don't take full price rise because of competitive scenario, we can probably pass on that extent. But it has to be kept within that 10% limit.
- Moderator:** Thank you very much, sir. We have the next question from Kumar Saurabh from Motilal Oswal. Please go ahead.
- Kumar Saurabh:** Just a followup from the last participant. Sir, when you say that for the industry, the inventory days have come down from 45 days to 15 days. Do we have an assessment of our sales lost at this quarter? Will it be in the similar range or different?
- R. K. Baheti:** I made an opening statement saying that probably we got better than many other companies.
- Kumar Saurabh:** Okay, that's fair enough. And sir, our employee expense during the quarter, even the absolute number was high. Is this because of any particular reason or is this the new normal now?
- R. K. Baheti:** So, no, it's not new. So if you compare with the immediately preceding quarter, then the numbers looks high because in the first quarter we have the increments, arears, performance pays etc. If you compare with the first quarter last year, then the reason would be that we have done lot of additions particularly in the new facilities. Going forward, these numbers will slightly settle down in the next two, three quarters.

- Kumar Saurabh:** In next two, three quarters. Fair enough. And sir, for the CAPEX number, do we still intent to do this 400 crore CAPEX.
- R. K. Baheti:** No, we had said 500 crore plus, yes. We have spent about 230 odd crores this quarter. We will spend another 250 crores to complete the rest of the projects.
- Kumar Saurabh:** Sure. And sir, so in the last six months, especially in the US markets few structural changes we are seeing. This pricing pressure bit look like can get controlled, it doesn't look like that over the next one to two years, we will see some respite. Given the fact that we are doing upfront investments in terms of R&D as well as CAPEX over the next two to three years, do we see this as a concern?
- Pranav Amin:** Kumar, as I mentioned earlier, in the US where we still have lot of low hanging fruit. So we'll have only an OSD basket, that too we pick some interesting products. You've seen our last four, five approvals which is less than six, seven people in the market, where it is relatively easy to pick up. Pricing is the industry trend and there is nothing we can do about it. Having said that, I think getting into oncology ophthalmic injectables, that should help us moving forward. I believe that there is lot of opportunities.
- Kumar Saurabh:** Yes, it makes sense. But what I meant was that the kind of return ratios which you would have thought let's say a year back, I am pretty sure that you would have recalibrated that now when we are sitting now. Is this a fair estimate or you think that we are still on-track what we would have thought a year back?
- Pranav Amin:** We do keep re-evaluating. It's in the way the trend is, and the number of people. If you see recently there has been a tremendous amount of filers. So we do recalibrate to see what makes sense, and how our payouts will be.
- Kumar Saurabh:** Correct. And any update on our NCE pipeline?
- Pranav Amin:** So the NCE pipeline, there is nothing in Alembic, it's in Rhizen. In the public domain, their first product TGR-1202, which is licensed to TG Therapeutics. I believe it's in Phase III right now.
- Kumar Saurabh:** And there are no plans of further equity fusion or anything like that?
- Pranav Amin:** No, the company is quite itself funded right now. It out-licensed some other products as well. So there are no funding needs from Alembic per se.
- Moderator:** Thank you, sir. We have a next question from Nimish Mehta from Research Delta Advisors. Please go ahead.

- Nimish Mehta:** Yes, thanks for taking my question. Sir once again on this other expense, I know you clarified it, but just wanted to ensure, I mean the expense has been just so low, I think it is lowest in the last five quarters. All is related to these marketing expenses, I mean the decrease in marketing expense or is it something else, sir?
- R. K. Baheti:** I think most of it is related to sales and marketing expenses.
- Nimish Mehta:** Okay, fine. And in the domestic business, if you can just share what is their IMS growth number vis-à-vis the IPM, growth
- R. K. Baheti:** I think it's part of the presentation. I am sure if you look at the presentation, you'll find that. We have given the IMS growth number, as well as our primary growth numbers.
- Nimish Mehta:** Yes. That is actually for each therapeutic class difference, but there is no consolidated number, if you can just share that, that will be helpful.
- R. K. Baheti:** You are asking for the quarter?
- Nimish Mehta:** For the quarter.
- R. K. Baheti:** The quarter is about 4%.
- Nimish Mehta:** 4%. And what would be the covered market growth?
- R. K. Baheti:** Almost same. I think we are a good market. Same almost 4%.
- Nimish Mehta:** Okay, understood.
- R. K. Baheti:** RPM is also 4%.
- Nimish Mehta:** Okay, understood. And finally in the US business, I mean, is it fair to say that Abilify has now been fully commoditized and there is no further erosion likely to happen?
- Pranav Amin:** It is tough to say. I mean, as we get more people we tend to see more erosion. There have been already more than 8-9 players, so it is yet to be seen if anybody else enters and decides to be more aggressive, you may see more erosion as well. So it's very tough for me to comment on that.
- Moderator:** Thank you, sir. We have a next question from Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** For the oncology plant that was commissioned, how much was the CAPEX that was spent?

- R. K. Baheti:** I think it was about 250 crores.
- Charulata Gaidhani:** 250. And what are the peak sales that you expect from this plant?
- R. K. Baheti:** Well, that would come much, much later, difficult for me to estimate now. But obviously, these investments are made with a view that they would have a net positive NPV even doing a reasonable discounting.
- Charulata Gaidhani:** Right. Now what are your plans for certifications for this plant?
- R. K. Baheti:** So as Pranav mentioned, I think there is a whole process post validation will take exhibit batches. They will be kept for stability test for some time, then the product filing will happen. Post filing we don't know when the FDA will come for inspection. Of course, we will continue to do more filings, more exhibit batches and more filings, but when would inspection happens and the approval we will get is something I can't comment on. I mean, our own internal estimates are that should happen during 2019. Faster it happens, the better for us.
- Charulata Gaidhani:** Okay. So prior to that do you plan to take any other certifications for any other countries?
- R. K. Baheti:** No, because the filings are also US centric.
- Charulata Gaidhani:** Then my second question is what is the type of growth you expect for the US and for India for FY 2018 and 2019?
- R. K. Baheti:** So we have not given the guidance, meaning not this year, but we generally don't, we have a policy of not giving guidance. India is an easier question to answer where I think we'll grow in line with industry or slightly better than industry, so if market grows by 11%-12%, we should also grow by about 12% to 15%. As I said the entire market growth, primary growth, at least, is under question mark as of now. So, I am still with the industry. As far as US is concerned, again given growth numbers are very difficult, it will depend on the product approvals, and at that time what the competitive scenario etc..
- Moderator:** Thank you. We have a next question from Kunal Randeria from Antique Stock Broking. Please go ahead.
- Kunal Randeria:** Pranav, you mentioned that you'll be filing more than 20 products this year. So, if you can just throw some light on the composition of filings, how many would be Para-IV, the degree of competition of the number of players who are already in the market just not to get some sense on the kind of products that we can expect?
- Pranav Amin:** Kunal, generally we don't comment on the filings until they happen. What is pending, we will give an update. So what I can tell you is amongst the 43 odd pending ANDAs that we have,

about 15 of them are either a Para-IV or an FTF. In terms of what therapeutic area and which ones we haven't disclosed that as yet

Kunal Randeria: Alright. And probably does your guidance include any filings from the Orbicular JV?

Pranav Amin: Orbicular JV is the Aleor, that's a derm JV. As I said the facility will get ready only in H2 of this year, so you'll see filings, maybe one or two filings by the end of this year, otherwise next year for sure. There may be some products that we may do from a CMO, and if that's a case we may see one or two filings from them this year.

Kunal Randeria: That's right. And just one more question. The gross margin was fairly strong despite Aripiprazole price erosion and even lower domestic performance. So if you can just throw some light on that?

R. K. Baheti: Yes, I think, we have been stabilizing. If you look at last 3-4 quarters, it's a plus or minus few basis points. We have been more or less in a stable zone. If you look at my RMC versus the sales, it has been stable almost for the last few quarters.

Kunal Randeria: Right. So this 70% to 73% level is sustainable going forward also?

Ajay Desai Percentage remains same.

Moderator: Thank you. We have a next question from Rahul Jeewani from India Infoline. Please go ahead.

Rahul Jeewani: Sir, if you look at your US business, your US business has grown sequentially on a 10% basis, and this was despite your partner losing market share on Abilify. So your partner's market share had gone down in 4Q by almost 50%. So what has led to this strong sequential growth in US revenue? Was there any inventory filling related to Pristiq?

Pranav Amin: No. Actually, our partner's sales we reflect that one quarter later. So what you are seeing in this quarter is the partner's sale that happened in Q4 of the year. So that is one aspect. And also sequentially, it just barely about 5%-5.5% for the US, and about 200 crores to 211 crores. So it's relatively flattish, not much.

Rahul Jeewani: But your partner had lost market share in 4Q. So 4Q, your partner's market share had gone down to around 6% from 12%?

Pranav Amin: Even low actually, I think as per Bloomberg, the market share was even lower, but that's how it was. And to be honest, I can't really get into product specifics, but some of the other products performed compared to last quarter. And as I said, we had some launches, we had about five new launches in Q1.

- Rahul Jeewani:** And just one clarification on Pristiq, so Pristiq was launched by your partner in March of this year?
- Pranav Amin:** Yes. So Pristiq, we have only one month of sales of Pristiq reflected in Q1 sales.
- Rahul Jeewani:** So there were no sales related to inventory filling?
- Pranav Amin:** No. Just one month of sales was the first month that they sold, just that has been captured.
- Rahul Jeewani:** Okay. And sir I think, you have mentioned that you don't provide a composition of your ANDA filings, but can you provide some clarity on what kind of projects are you pursuing in your injectables, onco and derma pipeline?
- Pranav Amin:** Yes. As I mentioned, we have a couple apart from oral solids. We are doing projects in onco oral solids, onco injectables and general injectables and ophthalmic, and of course the derm which is part of the JV.
- Rahul Jeewani:** So in ophthal, are you developing solutions as well?
- Pranav Amin:** Yes.
- Rahul Jeewani:** And for derma products would you be required to do clinical trials, are you developing those kind of products for which you would need to do clinical trials?
- Pranav Amin:** Yes. And some of them, yes, we will.
- Rahul Jeewani:** Okay. And just one last question on R&D, so if we look R&D, this quarter has come a bit lower than what you had guided for? So do you still maintain your guidance of around 500 crores of R&D investment this year?
- Pranav Amin:** Yes. I think, it is still lower than what I said, but I don't know, even if you see last year, I think in the beginning of the year we were little low and towards Q3, Q4 was still higher. So I am still sticking by the guidance of about 500 crores.
- Moderator:** Thank you, sir. We have a next question from Nitin Agarwal from IDFC. Please go ahead.
- Nitin Agarwal:** Pranav, with all that's good from a price erosion front and everything, I mean, what's your experience being in some of the recent launches that you've done, given the fact that as you mentioned all of them being 5-6 player markets. So, if you can just probably some broad thoughts in terms of how you have seen market. Is there any material change you have seen in the way some of these launches are playing through, especially the 5-6 player launches?

Pranav Amin: So, yes, few things, it's interesting and there is erosion, it is not that the erosion because of the supply chain, the buyer side consolidation. So there is pricing pressure and it really depends on who the competition is, if they really want to hold on to market share or match you when you talk prices. It's relatively easier to get market share in less than five players or less than six players. So I think with the new launches, we have been okay. We are pretty okay, and some of them is still early days. What we try not to do is we don't try getting in and picking about 15 share or 20 share. We try going on slowly. We really stress a lot more on the supply chain aspect and being able to supply on time. That's our priority. So until we are really confident of that and we give the customer confidence. So we have picked up shares to answer your question, but yes, there is some price erosion.

Nitin Agarwal: And there is this additional question into that is some of these larger global companies continue to be making the points that with the consolidation that's happening there is clearly a bias from a distribution perspective towards the larger companies. I mean, where would the smaller footprint in the US like us fit through?

Pranav Amin: So to be honest, I don't know, I don't necessarily believe that. I can only say what I've seen from the trade and our buyers and the way our US business has performed. It comes under two things. One, as I mentioned, and you also said that the competition that is out there in the market. And what is most important is the confidence that the buyers have in your supply chain. And I think that what we have done in a short period of time, they are pretty confident in Alembic, supply product, not be out of stock and ensure that we fulfill the orders. So that's the main thing. If we do it, then I don't think it makes, difference if you are a big player, or a small player.

Nitin Agarwal: Thanks. And lastly in terms of I guess in the wake or whatever it, the way the markets really shaped up over the last, two or three quarters, has there been any material tweaks in your own product strategies or are there certain projects that you're probably not going ahead. But I'm just curious in terms of has there been like a major rethink on the way you're doing, you are on the development strategy?

Pranav Amin: No, actually, no major rethink. As I've said earlier in the call to somebody else's question, we of course keep tweaking what we need to do, how our numbers change, how our assumptions change, but no major tweak in strategy. I think the broad strategy, what we're pursuing we are pretty convinced that is the right way to go for us.

Nitin Agarwal: Thanks. And if I can just probably just wrap it up with the last. A similar question is there is a general sense which is there, or there is a concern which has been coming through in the light of whatever is happening in the market with respect to the price erosion, consolidation, as well as the heightened US FDA scrutiny, is US market really a strategy that's really in terms of putting incremental dollar to work towards US business. Is it really worth it going forward? As a promoter, as an entrepreneur, I mean how do you sort of react?

Pranav Amin: I understand. I am selectively very bullish on the US market. And again if you see it in terms of which perspective you are from. In Alembic with sales about 100 million, I think there is a huge opportunity, lot of things that we can do. It's a very interesting market. There is a lot of new products coming in. There is a lot of untapped areas for us. So I'm very bullish on the US market still.

Moderator: Thank you, sir. We have a next question from Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just looking at your annual report, you talked about filing about 100 products over next three years and this year you're talking about 20. Would that mean there will be significant acceleration in your filings starting fiscal 2019?

Pranav Amin: So that was generally I've said that yes, we should look at 100 odd products for the next 3-4 years. Last year, we did 20, and also in the last call, I said that this year we should definitely do more than 20. So yes, I think there will be a gradual acceleration as these projects come through, as these plants get operationalized. FY 2019, you will see a higher number of filings.

Prakash Agarwal: And is there a similar number, or you want to share on your approvals like you had good run up in the first quarter in terms of approvals?

Pranav Amin: Yes. So, Prakash, at the end of last year, so last year, I had said also that we'll do six to eight approvals, this year also I said about eight to ten. But last year we got only four approvals. So this year we've had a good start. So far in the first quarter itself, we've got about six approvals. We've got some more in the period in July as well. So I would say at least 10 approvals, if not more this year is what we should safely look at.

Prakash Agarwal: Understood. And looking at another data point, which you mentioned about 260 projects that you're working on currently, out of which derms are about 45. And if you could share some light on your injectables and oncology, what number of filings you're looking at?

Pranav Amin: I think it's tough to say filing wise because we haven't given a guidance. Until it really happens, we don't like to talk about it. So it's very tough to say what kind of guidance we have in filings for the other dosage forms.

Prakash Agarwal: And lastly in terms of R&D spend, so would that accelerate from this year guidance going forward given that you'll be accelerating your filing momentum?

Pranav Amin: We have said earlier in the call that it will be a gradual increase, so now Rs.500 cr.. So I don't think it's going to be too drastic and increase from now. I think we will again calibrate moving forward. I believe next year also should be maybe 10%, 15% plus/minus, but apart from that we will be around the 500 crore level.

- Moderator:** Thank you, sir. We have a next question from Damayanti Kerai from HSBC. Please go ahead.
- Damayanti Kerai:** Actually clarification on earlier comment. Mr. Baheti, you said, you are confident that the sale lost in first quarter may be recovered during the course of year. But given that the current second quarter is the highest or peak quarter for the company or for the industry as such. So if we don't see a recovery in near-term, is it possible that we may not recover the lost sale in this year at all?
- R. K. Baheti:** I still maintain, this will be a big quarter. We should continue to do well.
- Damayanti Kerai:** I asked because we have seen historically that second quarter compensate for generally like slow performance in other quarters.
- R. K. Baheti:** Damayanti, if you look at the performance versus budget or performance versus the previous year, they are all similar one. The budgeting or the phasing is also done accordingly.
- Damayanti Kerai:** Okay. And sir, just a clarification about your earlier comment on GST impact for the scheduled and non-scheduled products, actually I missed out on that. Can you explain that again?
- R. K. Baheti:** Okay, our DOP or NPP has allowed increase of 2.3% on scheduled products being the differential of GST, so we can pass on that cost, additional cost. So to that extent, the new MRP will get adjusted. The only catch is my existing stock, I can't do restickering, restickering in pharma, is not allowed. But on the non-scheduled products, they have not allowed any price rise. They say you absorb this within your overall price rises, what you are entitled to.
- Damayanti Kerai:** Okay. That's helpful. And Pranav, just one question. I know like you are not commenting on any product specific opportunity in the US, but this recent tentative approval for PRADAXA. Can you say PRADAXA, a Dabigatran product. Can you just comment just some near term opportunity, say like next 18 months to 20 months kind of opportunity or it's much later?
- Jesal Shah** That is a much later opportunity.
- Moderator:** Thank you. We have a next question from Rahul Sharma from Karvy Stock Broking. Please go ahead.
- Rahul Sharma:** Sir, required some clarity on the expenses part. You said that it's mainly on account of your lower SG&A which is there, but on a yearly basis, do you feel that we will maintain this momentum, or you will see some perk up coming up in the quarters ahead?
- R. K. Baheti:** So obviously, we can't maintain this number because if our sales is not going to be the average of what we did in first quarter, obviously the expense can also not be average of what we did in the first quarter, so both sales and expense will be low.



*Alembic Pharmaceuticals Limited
July 20, 2017*

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Baheti for closing comments. Over to you, sir.

R. K. Baheti: Yes. Thank you. I would like to extend my personal thanks and best wishes from all of us from Alembic. It was pleasure talking to all of you. And if you have any follow-up question, we'll be happy to respond to your mail. And you can always drop us a mail to Ajay and Mitanshu, Look forward to talking to you again in Q2. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Alembic Pharmaceuticals, that concludes this conference. Thanks for joining us. You may now disconnect your lines. Thank you.