



## Unichem Laboratories Limited Q4 & FY15 Results Conference Call, May 11, 2015

**Moderator:** Ladies and Gentleman, Good Day and Welcome to the Unichem Laboratories Limited's Q4 & FY15 Results Conference Call hosted by Systematix Shares & Stocks 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Dinesh Bajaj. Thank you, and over to you sir.

**Dinesh Bajaj:** Welcome everyone to the Q4 & FY15 Conference Call of Unichem Laboratories Limited. From the management, we have Mr. B.S. Dhingra — Chief Executive Domestic Pharma; Mr. Rakesh Parikh — VP, Finance and CFO; Mr. K Subharaman – VP, Legal and Company Secretary; and Mr. Monish Shah – Manager, Investor Relations. I would like to request the management to first take us through the quarterly numbers, post which we could proceed with the question-and-answer session.

**Monish Shah:** Hi, a small clarification; Mr. Subharaman has not been able to join us; I will request Mr. Rakesh Parikh to appraise you on the performance. Thank you.

**Rakesh Parikh:** Good Evening and a Warm Welcome to you all. Unichem had its board meeting this Saturday to consider the audited consolidated results for FY15 as well as to adopt the quarterly numbers for the last quarter. The Results as well as the Investor Update and the Release have been sent. I will quickly take you through the major points of it: The consolidated Income from Operations for the full year FY15 stood at ~Rs.1,202 crores and reported profit after tax of ~Rs.75 crores. The parent Company's standalone income from operations came in at ~Rs.1,091 crores with PAT of ~Rs.64 crores.

Coming to the quarterly numbers for the fourth quarter, the total income from operations came in at Rs.255.9 crores and that resulted in a net profit of Rs.9.8 crores, for the standalone company.



The board has declared a dividend of Rs.2 per share that is 100%, the face value of the share being Rs.2.

Coming to the other highlights: The company has filed one ANDA as far as US business is concerned taking the total tally to 34. The approvals however stand at 15 excluding the two tentative approvals. In addition to that, 4 DMFs were filed taking the total to 41 and the US business continues to show sequential growth quarter-after-quarter and for the full year it has doubled its turnover compared to last year, giving more than 100% growth. The subsidiary also reported profit before tax of 1.8 million for the full year, of which 0.8 million has come in the current quarter, so there is a sequential trend of increasing profits which we are seeing.

In terms of the domestic business, I would ask Mr. Dhingra — Chief Executive, to take you through a few highlights before we go to the question-and-answer.

**B.S. Dhingra:**

Good Evening, friends. Thank you very much, Rakesh, for giving me this opportunity to share the Quarterly and Annual Results of our Domestic business of Unichem. Since you must have gone through the 'Investor Release' and where it is very clearly mentioned that Q4FY15 has started picking up for Domestic business and you can find that in Q4FY15 the Domestic Formulations stood at around Rs.146.2 crores as against Rs.139.1 crores in the same period last year, that means the Q4FY15 has shown a positive traction of 5% for the Domestic business. When I look on a yearly basis as guided before, this year we were not looking at a very buoyant growth rather the growth was going to be flattish. And that is what we are able to end up the year with; we have reported sales of Rs. 651 as against Rs. 655 last year FY14.

Now coming to the overall business scenario, as I shared time and again quarter-on-quarter basis with you that in Unichem, we have been working to balance out a lot of things; first thing what we were working to balance was product portfolio. As all of you know that Unichem's product portfolio of ~55% is in mature to decline. And therefore the challenge was to see that how we can realign the overall portfolio so that the decline in mature portfolio which is the face of company in the marketplace can also start showing a positive traction. In last two years we have been doing realignment in Acute business, we have completed the realignment in Chronic business, we have also done realignment in terms of product portfolio and people into Neuropsychiatry business to see that can we drive a growth through our mature and



decline business as well as can see that how our other products which are into growth basket can continue to grow.

I request the moderator to open the lines for Q&A.

**Moderator:** Participants, we will now begin with the question-and-answer session. The first question is from the line of Hitesh Mahida from Antique Stock Broking. Please go ahead.

**Hitesh Mahida:** The first thing is this 5% growth which we have seen in the Domestic business. So wanted to know what has actually led to this growth during this particular quarter – is it primarily because of low base of last year? And what should be the growth we should assume in FY16, particularly from the first quarter of FY16?

**B.S. Dhingra:** It is a very good question. As you are aware that in the last two years we have in put lot of efforts to streamline our processes and systems in relation with the manpower, be it rationalization or optimization. We have created 11 verticals within the Domestic business, which comprises of Chronic, which have CVD as well as CNS, and also the Acute. When we look at our CVD business, we have 4 verticals, and out of that 1 vertical is completely dedicated to the key brands that is Losar, Trika, and TG-Tor. As you are aware that during the year these were the three major brands which contributed around 25% of the company's business came under NLEM, where we have lost substantially in terms of top line and bottom line. So by putting a dedicated field force of almost 300 people in Losar and Trika, we have now shifted TG-Tor also to this vertical, this positive traction what we are seeing in the last quarter is because of Losar, because of Trika as well as because of our Acute vertical. So the one good thing which has happened in Q4 is that the Chronic business which was languishing and not able to come up to the expected growth has started showing a positive traction, that gives me confidence, that this positive traction of Cardio-Diabeto business can take us a long way in FY16..

**Hitesh Mahida:** So we are saying that 9-10% growth we should get in FY16?

**B.S. Dhingra:** Yes and when it comes to Q1FY16 onwards, we will start showing better numbers compared to Q4FY15, And in Q1FY15 we had a good base within which Chronic business was almost flattish or showing a de-growth. I am sure that in Q1FY16 onwards the Chronic business will also start contributing positively. You could see that from last two years on quarter-on-quarter basis, Acute business is showing a



positive traction in terms of growth. And the other verticals which we have realigned last year were Neuropsychiatry business of company that is also showing a buoyant double-digit growth on quarter-on-quarter basis. And when it comes to the Cardio-Diabeto business, I am confident that is also showing a very positive sign, on quarter-on-quarter basis you will find a very positive traction.

**Hitesh Mahida:** Have we added any field force in fourth quarter?

**B.S. Dhingra:** Let me be very fair you, as I told you in the last quarter that this year we have decided not to add any field force at all in FY16, even in Q4FY15 we have not added any fieldforce, rather we have rationalized our field force, because when we have expanded, that time we have kept the man power based on the geography analysis and the potential analysis. So keeping that in mind we have rationalized the manpower in Q3FY15 and Q4FY15, we have added almost around 130 people in two verticals both are in Chronic, but on the other hand, we have reduced 175 people in these two quarters. So net-net there is a manpower reduction; last year, we have operated with manpower of ~2750, this year we are going to operate with a manpower of ~2700, so there is a reduction of ~ 50 people.

**Hitesh Mahida:** When we say 9-10% growth in FY16, we are still actually much behind in the industry and some of our peers which are growing in excess of 14-15%. So despite all the restructuring, we are still at?

**B.S. Dhingra:** What I am trying to say is I do not want to overpromise and underperform. Our Chronic & Acute business are showing a positive traction, I am confident that we will be able to deliver much better than the market expectations.

**Hitesh Mahida:** Are we planning to convert some of the left distributors to C&F in FY16 because that also does have some impact on our quarterly numbers when we do so? So we have almost 80% of our distribution is now through CFA but, 20% is still pending I guess.

**B.S. Dhingra:** We were planning to do that, and we have all the intentions to do that, but we want to see what shape or form GST takes and based on that we will take a call on the remainder of conversion. Today in Mumbai and Gujarat we have our own CWH, so there are not much of stocks lying since we are able to supply through CWH as and when there is a demand and this is more related to demand and there is no inventory. It is only Kolkata, where there are distributors where we may get impacted the day



we transfer those distribution to CFA, but having said that please understand as of now things are on hold keeping in mind situation on GST.

**Hitesh Mahida:** Niche Generics again has turned into losses this year. So, what is the outlook going ahead?

**Rakesh Parikh:** One of the major reasons why the top line has been lower compared to the prior year is mainly because of the pricing pressures in two or three of the products which were reasonably contributing, and this has affected top line as well as the bottom line. So looking at that what we are trying is to see whether we can slightly improve our revenue as far as these products are concerned. Further, for top line growth we are also considering the launch of a new product, we are trying to see whether we can launch it in the first quarter itself and we will be able to fill up the gap in which case it is possible that it can come into the black.

Also there were two things — one is the issue about the EU for which there were certain issues, plus as far as supplies are concerned we are focusing more on the US market because the results have been very promising there and profits are also much better, plus the overall economy in the US is far more conducive for Generics. So we are trying to see how best we can avail, but yes, it is a cause for concern and that has been discussed extensively, we are making all efforts to see to it at least that Niche does not become a drag on the consolidated numbers.

**Moderator:** Thank you. The next question is from the line of Kushal Rughane from IIFL. Please go ahead.

**Kushal Rughane:** My question is regarding margin front. Like as company was enjoying margins of sub-17%, but this year it led to like 10% sub-margins. So, what led to such margin decline? And what kind of margins are sustainable for next 2-years FY16&17?

**Rakesh Parikh:** We have been explaining this over the various quarterly results and if you see the indications were also given, the reasons have been explained in detail. Basically looking at the current scenario, when we took this decision a couple of years ago and looking at the opportunities available the company decided to embark on certain initiatives in the interest of the medium-to-long term, like R&D as far as the International markets are concerned. And as far as the Domestic market is concerned manpower and rationalizing and realigning the various divisions and the products, these were the various initiatives taken. So as a result of this the various expenditure



which are of revenue nature like payroll, R&D, material cost, bioequivalence cost, clinical trials etc. all increased significantly. And because of NLEM and the other factors, our top line did not grow. Also if you see the inflation has been remaining at +10% and it is only in the recent past the power and fuel have come under control. As a result to put it very simply that the cost base expanded as the expansion was of a revenue nature which was almost in the region of 25% to 30% and it becomes very evident if you see our other expenses.

Similarly, the focus is on the U.S. business, since we started getting very positive response from there and the future there also looks promising. We have undertaken lot of expenditure on the regulatory side and on updating our plants in terms of repairs, maintenance and the consumables which have been spent to ensure that there are no negative reports or markings from the regulatory side. Also, the generic drug user fee has gone up, and since we have four facilities which are approved by the USFDA, the expenditure there also started going up, which is written off.

So in short with the expenditure base increasing by about 25% to 30% and our top line being in lower single-digit, these mismatches affected the margins. But, whatever we have written off in the P&L is more like an investment for future. As Mr. Dhingra also explained as far as people are concerned, now the productivity is showing slight improvement in the fourth quarter, plus we have seen the US business is also turning around, unfortunately Niche did not perform well to that extent, but if you see in the US, it has started to make profits consecutively for six quarters with quarter-on-quarter growth and we are quite optimistic about the future. So as a result of this what we are looking going forward is that this will start generating returns and also as Mr. Dhingra mentioned that we are not going to add any more people, so that way now the expenditure has come at a stage where not any major increases are expected apart from the nominal increases which are absolutely required. With the top line growth coming in it will enable the margins to improve and that improvement in margins will come over the next few quarters and years.

**Kushal Rughane:**

So what kind of margins are expected for FY16 improvement wise?

**Rakesh Parikh:**

Basically what we are saying is that we are definitely looking at a few percentage point improvements, because each business you have to look at it differently and what are the impacts of that which are going to come in, but from a single-digit margin we are pretty confident of moving into the double-digit immediately for the



coming quarters and for the whole year we should still see what maximum traction we get.

**Kushal Rughane:** As on date, how much of Domestic portfolio is under pricing regime?

**B.S. Dhingra:** Less than 20% of branded generic business.

**Kushal Rughane:** FY15 how much it has impacted like?

**B.S. Dhingra:** Last year around ~Rs.11 crores, the prior year it was more.

**Rakesh Parikh:** Here we got the price increase; 6.3% from April 14 onwards.

**Kushal Rughane:** USFDA filing wise, how much filings company plans for each and every year?

**Rakesh Parikh:** As I mentioned earlier as far as the ANDA filing is concerned, 1 filing has been done, and 4 DMFs have been filed and other filings continue in various other countries. As far as ANDAs are concerned we look to find at least 1 or 2 every quarter.

**Kushal Rughane:** You meant to say 7 to 8 every year?

**Rakesh Parikh:** 1 or 2 every quarter is it can come anywhere between 4 to 8 for a full year.

**Moderator:** Thank you. The next question is from the line of Chirag Dagli from HDFC Mutual Fund. Please go ahead.

**Chirag Dagli:** Some clarity on the consolidated tax rate and why is it so different versus the standalone?

**Rakesh Parikh:** As per the accounting standards which are applicable under U.S. GAAP as well as India when a company is making losses and it moves over from the loss to the profit situation, because of the brought forward losses the provision for tax is zero; And what has happened in case of U.S., the company has come into the profit consecutively for the last 15 to 18 odd months. And in view of the unutilized losses the deferred tax has become negative. So it is a one-off major negative charge which has been accounted in the consolidation as per the Indian and the international accounting standards. So what has happened is that a negative deferred tax has come from the U.S. which is a book entry, without any actual cash inflows.



- Chirag Dagli:** Sir, can you quantify this?
- Rakesh Parikh:** It is ~Rs.15 crores for the full year for the U.S.
- Chirag Dagli:** Next year basically this Rs.15 crores is what we should add back?
- Rakesh Parikh:** At least Rs.13 crores of tax credit would not come.
- Chirag Dagli:** What was the R&D spend in FY14 and in FY15 full year?
- Rakesh Parikh:** As a percentage it is still between 5% and 6% of turnover, but there is an increase maybe from around Rs.50 to 52 crores on FY14, to about Rs.58 to 60 crores for FY15.
- Chirag Dagli:** This is what we have taken to the P&L?
- Rakesh Parikh:** To the P&L, it has been yes charged off.
- Chirag Dagli:** Third question is if you were to try and split the Rs.100-101 crores EBITDA that we have done for the full year between say Domestic and Exports, would you say that almost entirely this EBITDA has come from Domestic?
- Rakesh Parikh:** You are talking of earnings before interest depreciation and tax?
- Chirag Dagli:** Yes, at a consolidated level.
- Rakesh Parikh:** It would be difficult to say because in API we are taking a lot of captive consumption and that is the reason why the API Exports are not growing, obviously bulk of it now has been diverted to our International businesses. So, we cannot say that 100% is Domestic.
- Chirag Dagli:** In April-May, when we must have taken on the DPCO products, you must have taken the mandated or the allowed 3.85% price hike, but on the non-DPCO products, what sort of price hikes have we taken?
- B.S. Dhingra:** Our cycle for non-DPCO is from October, and the permissible limit is around 10% price increase in a year. Now looking at our basket many of the products are already at their peak compared to their peers, so we do not think that in this year there will be big price increase, but definitely it will be between the range of 4% to 5% of non-DPCO.





- Chirag Dagli:** So the way as investors think about this is that on 80% of your portfolio on some of the products you will be able to take 4-5% kind of price hikes?
- B.S. Dhingra:** Some of them will be 9%, maybe 9.5%, and some will be 5 to 6%
- Chirag Dagli:** On a blended basis, on that 80% portfolio, you should be able to take 4 to 5%?
- B.S. Dhingra:** That all depends on how the market and the government policy come by September, but this is what is an average as of now from last two years.
- Chirag Dagli:** What is the government policy?
- B.S. Dhingra:** It is the DPCO basket what we are referring to.
- Rakesh Parikh:** Few days back also ~30-drugs have come under the price net, they have the public interest clause and specifically they sent some letters/notices to some people, where suppose your price is higher and if it is not under DPCO, specific letter comes, since they have a right to ask you to bring the price down.
- Chirag Dagli:** This is as per the Para-19 powers that they have?
- Rakesh Parikh:** Yes.
- Chirag Dagli:** What has happened a couple of days back is over and above that also?
- Rakesh Parikh:** That is over and above that also; like 108-drugs which had come.
- B.S. Dhingra:** It is a government prerogative, but as of now defining DPCO and non-DPCO is very challenging for industry, so like it is on day-to-day basis, as of now what we sell is 20-80, tomorrow it maybe 22-78 or it will be 20-80. So it is very difficult to predict as of now. But by formula ~4-5% average increase in price in non-DPCO, and this year DPCO is around 3.6%.
- Moderator:** Thank you. The next question is from the line of Deep Master from Enam Holdings. Please go ahead.
- Deep Master:** My question was related to the US business in terms of your filing for Abilify. Did you get approval?
- Rakesh Parikh:** No.

**Deep Master:** What are the two tentative approvals that you have?

**Rakesh Parikh:** Mementaine and Irbesartan.

**Moderator:** Thank you. The next question is from the line of Gagan Borana from ICICI Securities. Please go ahead.

**Gagan Borana:** Sir, we have 4 USFDA approval facility. So can you just let me know at what capacity realization we are running at and when was the last USFDA inspection done?

**Rakesh Parikh:** Two are the API facilities; one in Maharashtra at Roha and one at Pithampur, and we use it for majority of our ANDA filings. As far as Formulations is concerned, we have one facility at Goa, and the other location is at Ghaziabad. So these are basically the four facilities. What is happening is that though these are USFDA approved facilities, they are not dedicated for the US market per se, in fact for API, these are the only two plants which we have for all the businesses. API Exports constitute roughly 7% of the total turnover and Domestic API constitutes ~1 to 2% of the total topline.

As far as the Formulations are concerned, we have the emerging market which contributes roughly about 4% or 5% of our turnover, and bulk of it is produced from Goa. Similarly, we are having some contractual business, these are both to Europe as well as North America, that also comes from these two facilities; Ghaziabad as well as the Goa facility. And then we have our own business, a little bit we supply to our U.K. subsidiary for the European business as well as to the U.S.

Now, in terms of this, Roha right now is running at full capacity and there is very little room unless we can do some kind of productivity improvement to get higher production. At Pithampur one round of expansion was already completed, whereby the capacity has increased, further expansion is under way, which will take another few months and before FY 16 that also should be over whereby there will be a further increase in the capacity. Same way as far as our Goa plant is concerned, the expansion is going on, and that will take maybe a year plus to have the similar capacity which got reduced when the SEZ unit was sold to meet the future requirements from the U.S. On Ghaziabad what has happened is, depending up on the contractual business there is a slight month-on-month fluctuation, but otherwise it is also running at more than 90% capacity.



- Gagan Borana:** When was the last USFDA inspection done?
- Rakesh Parikh:** The previous inspections happened three years ago and Pithampur was two years back.
- Gagan Borana:** So there was no USFDA inspection in the last 2-years?
- Rakesh Parikh:** They have audited us recently, there being no critical observations, the US business continues. Their official report is awaited.
- Gagan Borana:** Second, on the outlook for Losartan in India, even if we look at the AWACS data, which you have given in your own 'Investor Press Release' the Losartan market is still degrowing. So how do you see the outlook of Losartan in India now since Losartan is significant part of your domestic sales now?
- B.S. Dhingra:** A very intelligent question. I think we all will agree in ARBs world over Losartan is the #1 Anti-hypertensive drug. So that is what we are trying to train our people for. Once we are the leader and we have put a dedicated field force, the impact of that action has started showing a positive traction, if you recall that last year we reported negative growth of Losar, now we are showing a positive growth of +1.2%. So that speaks of the actions taken, the dedicated promotion of Losar has started paying dividends, and I am sure that even April has shown positive traction over last year corresponding period and I am confident that this year is going to be a good year for Losartan.
- Gagan Borana:** Why I ask this question in the last call you had said that you will be having a dedicated team who would be targeting GPs as well drive growth for Losar. So the future growth in Losar would come because of the new prescription coming from GP or is it that you would be spending more time and effort and convincing especially doctors Losartan as a drug has patent as the existing drugs?
- B.S. Dhingra:** For us the challenge is not only Losar, but also Telsar and Olsar where we are not showing good growth. So our effort is to see that the other team which has Telsar and Olsar should show buoyancy in terms of their growth. And as you rightly mentioned for Losar, our effort is to take it to GPs which is a bottom of pyramid and once we are successful to drive GPs on Losar, then growth of Losar will be a continuous phenomena.
- Gagan Borana:** When do you expect that kind of volume to pick up for the coming Domestic?

**B.S. Dhingra:** We are starting a lot of scientific initiatives; one is a hypertension learning academy, we are starting in collaboration with American Society of Hypertension which will address only family physician, the GPs, where the cardiologist, nephro, and diabeto will become the chairperson, speakers and course coordinators, and they will talk to family physicians on pan India. Those efforts I think is a change of habit, doctors have been practicing in a one way, where they believe into high marketing, high pressure product. So telling them why Losar and how does it benefit to your patient in long run takes a little time. When they start using it and patient comes with a proper conviction and proper control, I am sure that change will start happening. So we are the only one starting that direction because Losar is our bread and butter, it is a face of Unichem. Therefore we have dedicated ourselves to see that how we can make Losar growing basket for the company.

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

**Dheeresh Pathak:** Can you just again explain why we are underperforming the industry on Telsar and Olsar? Losar, I understand because you are a large part of the industry.

**B.S. Dhingra:** We have done realignment of product portfolio and realignment of people, into the CVD business, Cardiobiabeto business of company. Till last year there were three dedicated teams for Cardiobiabeto. From last year there are four dedicated teams, out of that one team is dedicated solely into Losar, and out of the other three teams; one is dedicated to Telmisartan, another is for Olmesartan, and the third team is for Statin, where they have products like Unistar a combination of Rosuvastatin with aspirin and they also have now plain Rosuvastatin.

Underperformance of Telmisartan, Olmesartan is because of two valid reasons. Since out of these two verticals; one were having Losar with them and other one having Unistar with them. So there was a clutter. All fast growing products were mixed with the slow growing products, and in slow growing products being old products which were more familiar to the doctors, there the people were continuously getting volume and value sales. So they were not able to focus on the newer growth basket of Telsar and Olsar. The second reason was our attrition, new people were brought in the organization in the last three years, the retention became a challenge, but in last two quarters we are seeing a better retention of the people, and even internally if I look at Telsar and Olsar have started showing a positive growth.



We are working to see that how CVD, the four cardio-Diabeto division, where one division has Telsar as its arrow head, other has Olsar as its arrow head, the third division has Losar as its is arrow head and for the fourth division it is Rostar and Unistar which is the arrow head, with around Rs.700 crores market. So we are trying to see is that how these arrow heads can drive all the four Cardiidiabeto divisions.

**Dheeresh Pathak:** What was the MR attrition for the full last year FY15?

**B.S. Dhingra:** FY 15 our MR attrition was around 48%.

**Dheeresh Pathak:** What is the industry average?

**B.S. Dhingra:** Industries around 30%.

**Dheeresh Pathak:** This quarter annualized is how much?

**B.S. Dhingra:** Like this quarter annualized is less than 20%.

**Dheeresh Pathak:** On the US side, I just want to understand, we did \$25 million of sales and had \$1.8 million of PBT, the ANDA filing expenses are included in the subsidiary or they are part of the standalone?

**Rakesh Parikh:** They are part of the standalone.

**Dheeresh Pathak:** So the cost line item for this subsidiary would be the sales of the standalone, right?

**Rakesh Parikh:** That plus on selling and distribution expenses.

**Dheeresh Pathak:** How much our selling and distribution expenses in US for FY15?

**Rakesh Parikh:** Almost about 25% or so.

**Dheeresh Pathak:** How many people do we have?

**Rakesh Parikh:** We have only six because right now with the low base and since the volumes has not reached a critical mass, therefore we are outsourcing right now, most of the support services like distribution and warehousing, sales, invoicing, debtors collection. On reaching a particular threshold we renegotiate terms and slowly once volumes improve, we will explore options of taking it inhouse in order to take the cost benefit by converting the variable cost into fixed.



**Dheeresh Pathak:** On \$25 million of operating expenses apart from cost, \$6 million roughly, bulk of that \$6 million would be warehousing and supply chain related cost or selling related cost on employee?

**Rakesh Parikh:** The bulk would be warehousing and distribution cost.

**Moderator:** Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead

**Nikhil Upadhyay:** Just two questions: one is you mentioned about the expansions which we are putting up. So if you can just give some idea over what will be the CAPEX for FY16 and FY17?

**Rakesh Parikh:** We had mentioned this during the call today, one is the API facility at Pithampur and second is Goa. In addition to that as a part of the long-term strategy on the R&D side we are putting up a pilot plant on bio-side. If you add all these three then we had said that the total cost comes close to about Rs.300 crores, of which about Rs.80 odd crores would have been spent in FY15 and balance will come in FY16 as well as in FY17.

**Nikhil Upadhyay:** Secondly, on the US business, last year we launched a few products in the US. So how do you see the product launches in US for FY16? Secondly, what are the type of products filings which we are doing so – are they genericized products which we are picking up and trying to gain traction for future or what is the pipeline of the new ANDA filings which we are doing?

**Rakesh Parikh:** I will explain you this way, looking at the stage at which the company was the risk profile and other things and what our strengths were in terms of product development, R&D as well as the manufacturing, we had identified products which were basically time tested products, or so-called gold standard type of products. But these are old products, which have gone off patent and there will be at least 20 players who have the approvals, and where Unichem is per se present and strong in areas like Cardiovascular, CNS, Pain Management, of this we have identified roughly about 50-odd products. Of the identified products 34 ANDAs have been filed. We have received excluding tentative 15 approvals have come in, in these categories, we had launched about 10 products, then we have not got any approval in the last year and 2 products were further launched last year, so at the beginning of this financial year, we have already 12 products launched, of which 2 were partly available, so they

should continue the organic growth profile plus we are trying to increase our share of procurement, because in many of the products we may be supplying only a miniscule, since wholesalers and distributors have two or three suppliers typically.

The reason we have not launched the other products are either because it may not be competitive or it is not making sense to us or some problem in terms of the capacity mismatch or because somebody else is supplying us the API which makes it less profitable. Out of the mentioned products, issue in 1 product has been sorted out, so we should be able to launch in the current year. Basically 2 products which were there for part of the year and 1 product which we launch will further drive the US growth, balance everything depends on the approvals, and since we are having so many pending approvals with some of them having crossed almost 3-3.5 years now, we are hopeful that at least a couple of approval should come in, in which case they can add to the growth.

Talking about your other question about the filings, out of the 50 products, 34 have been filed and we look to file 1 or 2 out of that lot and the filings are at a very advanced stage, so maybe this year we may file between 4 to 8, and balance will go in the next year. Apart from this we have identified another about 10-15 products and these are typically the products which would be going off patent 2017 -2023, and those are at the development stage meaning our R&D people are working on it, and most of the therapeutic categories are similar to what I mentioned earlier of CNS, CVS etc. but some of the products have not gone off patent, some of them maybe slightly difficult to make and hopefully we will not be the later entrant as far as some of these products are concerned. So that should enable U.S. to have a significant impact on the company's performances going forward.

**Nikhil Upadhyay:** So of the 34 which you have filed, of which some part we are still waiting approval. So how much percentage of it is already genericized?

**Rakesh Parikh:** Everything we have filed is already generic, but where our strength comes is cost competitiveness, we know about the prices, there is no major erosion expected out of that, and we have a relation with the wholesalers who are already marketing these products, they are aware of the pipeline and they would be quite keen to associate with us as an additional supplier for these products.

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



**Dheeresh Pathak:** In US, what is the largest product and what is our market share in that?

**Rakesh Parikh:** Maybe I will come back to you on that answer.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Dinesh Bajaj for closing comments.

**Dinesh Bajaj:** On behalf of Systematix I would like to thank the management for their time for the call. Thank you to all the participants as well. Good Day, everyone.

**Moderator:** Thank you. Ladies and Gentlemen, on behalf of Systematix Shares and Stocks Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.