Y 2011 Earnings Call - Glenmark Pharmaceuticals Dt-10 May'11

Operator

Good evening, ladies and gentlemen. I am Triveni, the moderator for this conference. Welcome to the Glenmark Pharmaceuticals Limited Financial Results Conference Call. For the duration of the presentation, all participants' lines will be in the listen-only mode. I will be standing-by for the question-and-answer session. I'd now like to hand over the floor to Mr. Jason D'Souza. Thank you and over to you, sir.

Jason D'Souza, Investor Relations

Thank you, Triveni. Welcome to the Glenmark FY2011 earnings call. Before we give a brief for the financials, just to note, financials for FY10-11 have been published under IFRS, consequently, prior numbers which are published under I-GAAP are only indicative and may not be comparable with FY11 numbers.

The results for the financial year FY10-11, Glenmark's consolidated revenue was 29,490 million, an increase of 19%. Revenue from the generics business was 12,632 million, a growth of 20%. The Specialty formulation business revenue was at 16,858 million, a growth of 17%. The Specialty business India, sales for the formulation business in India increased to 8,446 million, recording a growth of 12%.

The company has registered value growth of 23.9% vis-à-vis that of industry growth, which was at 15.3%. This was reported by IMS-ORG for the period April '10 to March '11. The India business consolidated its presence in the following therapeutic segments, the growth in market share as for ORG.

Jan to March 2010 vis-à-vis Jan to March 2011, anti-infective market share increased to 1.32%, cardiac market share increased to 2.41%, respiratory market share increased to 2.92%, analgesic market share increased to 1.02% and

oncology market share increased to 1.21% and dermatology market share of 8.11%.

During the quarter, the IF business launched three new products. Two products were launched to strengthen our presence in the psoriasis segment, Sorvate and Sorvate C. Sorvate C was the first in India launched with this combination. Glenmark also made an entry into the fast growing moisturizer segment by launching urivativ.

Africa, Asia, CIS region for the entire financial year, the Africa, Asia and CIS region was 4069 million, an increase of 5%. The lower reported growth is mainly on account of a high base effect of the previous year.

In the region, Glenmark filed 100 product dossiers during the quarter and received 81 product approvals. Russia CIS region, during the entire financial year, there was high focus on improving operational efficiency at all levels, which resulted in solid secondary sales growth, higher profitability and higher positive net cash flow for the Russian operations.

In the fourth quarter, Russia showed secondary sales growth of 90%, this significant increase in sales is backed by effective sales growth activities and good growth in power brands. According to the latest Pharmexpert data, the company registered value growth of 31.83% vis-à-vis that of industry at 6.46%.

We are the fastest growing Indian company in Russia, and Glenmark is now ranked 62 among the pharmaceutical companies gaining 11 ranks vis-à-vis March 2010. The market share across the Dermatology segment increased to 1.56% and Glenmark's rank in dermatology has gone up to 18, a gain of six ranks.

In other CIS markets, Ukraine, Kazakhstan and Uzbekistan are showing... continuing to show positive trend in secondary sales. We are in the process of appointing national distributors in all these countries which will ensure wider and faster availability of all our products and secondly sales for the units.

Africa, Middle East, the region recorded robust growth of 42% backed by strong growth in the key markets of South Africa, Kenya, Sudan and Yemen. In Q4, the countries of Sudan and Mauritius recorded the higher secondary sales growth for the year. In spite of the unrest across North Africa, there was consistent secondary drag uptick for our power and focused brands like Ascoril. Relcer and the Candid Range. All this bring double digit secondary sales growth.

The Asia region continued to perform well with a strong focus on marketing activities, which was the main driver for the 40%

increase in secondary uptick over the corresponding period last year. The strategy of power and focused brands has led to key brands driving the growth for the business in Asia. The major countries like Malaysia, Vietnam and Philippines have registered the highest secondary sales growth. Three new registrations were obtained in Malaysia, Vietnam and Philippines which will be different in growth drivers for '11 and '12.

Latin America, Glenmark's revenue from the Latin American and Caribbean operations was at 1,918 million, a growth of 41%. For the region, Glenmark filed 29 product dossiers during the quarter and received 33 product approvals.

Europe, Glenmark's Europe operations revenue was, for the entire financial year was 1,527 million an increase of 12%. During the quarter, Glenmark successfully launched cardiac products Cital and Alfen in Romania. In addition, Glenmark launched CNS product Citalopram in Poland, research and development. The company has a pipeline of five NCE and NBE molecules in clinical trials, including in-license molecule Crofelemer.

Crofelemer, Glenmark's in-license molecule Crofelemer for multiple diarrhoeal indications including HIV associated diarrhea, acute adult and pediatric diarrhea successfully completed Phase III clinical testing for HIV associated diarrhea. The trial is conducted by Salix Pharmaceuticals, Inc. in the U.S. Glenmark also recently announced a successful completion of a proof-of-concept Phase II study in adult acute diarrhea in India.

Glenmark is further working on a development and regulatory strategy towards obtaining approval in Glenmark territories. This could be the first innovative product launched for Glenmark across 140 countries, where it has exclusive marketing and distribution rights. Peak sales from ROW markets are estimated to be around $80 million for HIV associated diarrhea.

GRC 15300 indicated for neuropathic osteoarthritis and other inflammatory pain conditions is undergoing Phase I trials in the UK. Globally this is the only reported TRPV3 specific antagonist molecule to enter clinical trials. The Phase I study has completed dosing of a single dose food effect and multiple dose parts.

Good oral availability and no safety concern support for the clinical development. A development and commercialization license for GRC 15300 has been granted to Sanofi-Aventis. proof-of-concept study, neuropathic pain is planned to be initiated in Q3 of financial year 2011-12.

Where on the last Glenmark's important inhibitor there has been lots of candidates for a variety of respiratory and inflammatory disorders is progressing well in the clinics. Glenmark has obtained MHRA approval for conducting Phase IIb trials for Revamilast in asthma and rheumatoid arthritis in the UK under the waiting approval from DCGI, India and other regulatory bodies to commence multi-centric Phase IIb studies. Each Phase IIb studies that will be carried out will determine the efficacy and safety of the molecule and will also provide dose-ranging filing for the molecules.

GRC 17556 or TRPA1 antagonist has proven highly efficacious in treating inflammatory and neuropathic pain in animal models.

In addition, when tested an in-vivo model of asthma, it showed promising effect on airway inflammation, bronchoconstriction and cough. GRC 17536 has showed good safety in Phase I enabling GLP safety, pharmacology and toxicology studies performed.

Glenmark initiated Phase I studies in the Netherlands and initial dose has been well tolerated showing expected pharmacokinetic profile. Glenmark plans to complete Phase I trial and initiate Phase II filing for proof-of-concept in respiratory and pain indication for FY11-12.

NBEs, Reslizumab, GBR 500 a monoclonal antibody is antagonist of the to integrate. It has the potential to be a broadly applicable anti-inflammatory component diseases like Crohn's diseases and multiple sclerosis. It is the first-in-class monoclonal antibody started and have established proof-of-concept in animals.

Phase I studies for GBR 500 have been completed in the U.S. We are planning to file for a proof-of-concept trials in Crohn's disease and multiple sclerosis in the first quarter of FY12. GBR 401 and anti-CD90 antibody is currently under development for the target indication of beta-cell lymphomias and lymphomas. The target CD19 is present on all beta-cell and shows during early sclerosis. CD19 is more broadly expressed than CD20, hence providing potential to be used for patients with CD20 negative beta-cell tumors

GBR 401 is a human specific antibody and has shown good in vitro and in vivo properties. Glenmark will file for Phase I trials in Q4 FY12. GBR 900, which has been licensed from Lay Line Genomics, Italy, the exclusive property, intellectual property rights for monoclonal antibodies against neuron growth factor TrkA.

TrkA is a part of the NGF TrkA access, a validated and novel pain receptor system for the treatment of chronic pain. Preclinical research on GBR 900 project is being carried on the Glenmark's Biological Research Center at La Chaux de Fond, Switzerland and is progressing well.

GBR 600, an anti-platelet monoclonal antibody has shown good results in preclinical testing and has received approval from MHRA, UK to commence Phase I studies. The Generic business, Glenmark Generics in USA registered revenue from sale of finished dosage formulations of... at 8,351 million, an increase of 16%, this was a good year for Glenmark as we received the highest number of ANDA approvals in 2010 calendar year from the U.S. FDA amongst all Indian-based manufacturers.

Glenmark was also the only India-based generic company to receive final approval, a launch of portfolio of oral contraceptives products in the U.S. market. The company has received at -- was granted 22 ANDA approvals in FY11, comprised of 18 final and four tentative approvals. During the fourth quarter, Glenmark was granted final approval by USFDA for four ANDAs, including--, Levocetirizine, Lithium Carbonate extended-release tablets and Eszopiclone tablets.

Glenmark launched a total of 25 products during fiscal year 2011 comprised of mix of immediate-release tablets, extended-release tablets, oral contraceptives and solids and control substances.

During the fourth quarter, the company filed 60 ANDAs with the FDA increasing the total number filings to 13 for the fiscal year.

GGL plans to file another 20 ANDAs for FY11-12. With this the marketing portfolio, GGL consist of 67 generics products authorized for distribution in the U.S. market. The company currently has 41 applications pending in various stages of the approval process. Also the company has 14 Para IV applications pending approvals of which Glenmark is the sole to find the core products. During the first half of the fiscal year Glenmark announced three settlements involving Para IV filings which was for atovaquone/proguanil, ezetimibe, Eszopiclone tablets.

New formulations business, the European business continue to grow through a mix of product sales and licensing revenue. During the quarter, the UK business expanded its coverage in the market by adding several new important accounts across the wholesaling and retail channels. And also launched two more products. Revenue for the full year for the European generic business was at 543.61 million, an increase of 82% over the previous year.

Oncology; the oncology business based on Argentina launched six new products during the quarter. The revenues for the Argentinian operations was at 400.88 million, an increase of 17% over the previous year.

During the Q4, Glenmark received approval to manufacture 100 mg in the new plant taking the total to 12 products for the full year. The new plants started operations and guarded approvals for Myanmar, Argentina as well as authorities.

The API business continued to strengthen its market leadership across its various products. During the year, Glenmark was awarded the Perindopril annual tender in Malaysia and also received the first product registration in Russia. For the full year of FY11, revenues from the API business was at 3336.50 million, an increase of 27% for the entire year.

Before we open the floor for question-and-answers, I would like to introduce the Group at Glenmark which is here we have Glenn Saldanha. MD and CEO of Glenmark Pharmaceuticals; Mr. Terrance Coughlin, CEO of Glenmark Generics Limited; Mr. Rajesh Desai, CFO Glenmark Pharmaceuticals,; Mr. Arvind Vasudeva, Chief Operating Officer, Glenmark Pharmaceuticals; Sanjay Gupta, Senior Vice President, Glenmark Pharmaceuticals; Percy Birdy, Vice President, Glenmark Generics and Aditya Renjen, General Manager, Business Finance and IR. Before we open the floor for question-and-answers, Aditya will make a few opening remarks.

Aditya Renjen, General Manager, Business Finance and Investor Relations

Thanks, Jason. Given this is the first year that we have shifted to IFRS, we just thought to walk you through some of the major impact that these changes had on the financial.

Starting with the P&L, we have had four major impacts on the P&L this year. On the sales line, the sales is not comparable with the previous year, as Jason had mentioned. Since it is because we have got VAT and other taxes that are not included in the sales revenue for the current year, but they continue to be there in the previous year. So that has a negative impact on the for us.

On the staff cost, on account of fair value of accounting as well as some other staff-related charges. There is a negative impact on the staff cost that you see for the full year of FY10-11.

The interest expense is also slightly higher because provision for... the interest as we;ve had do under our IFRS. One positive impact that we have had is on the depreciation side where the amortization charge has reduced.

So all-in-all put together, we have estimated that the IFRS numbers are worth of by about 60 to 65 crores as against Indian GAAP. So that summarizes the impact on the P&L for us on this conversion.

Coming to the balance sheet side, the main impact on the debt and the receivable level is actually a contra effect where the factors receivable reduced to be a continuing liability for us, now will be recorded as both as a debt and as a

receivable

So the FY for March '11 number of debt is higher by about 150 crores on account of factored receivables. And the same is also there in the receivable numbers also higher at about crores. And finally the other major impact we've had is on the reserves and also on the fixed assets. As part of the conversion to IFRS, we conducted a fair valuation of all our assets and liabilities. And consequent to this exercise there is a charge of approximately 450 crores that we have taken both on the reserves, which are reduced by 450 crores and on the fixed assets which as a whole have come down by about 450 crores.

So this summarizes the high level impact that we've had. We'll be happy to provide any further details that you may require outside of the call. So I can make a focus on the business question that you may have with the leadership team here. Thank you and we'll open the questions now.

Questions And Answers

Operator

Thank you very much sir. We will now begin the Q&A interactive session. [Operator Instructions]. First in line we have Mr. Jesal Shah from JM Financials. Over to you sir.

Jesal Shah

Yeah, hi. Just a question on your deferred tax asset creation for this year. You mentioned that 450 cores is the charge which you have taken on intangibles, how is that affecting your deferred tax provisioning for the current fiscal and what is the current tax provision for the current fiscal?

Corporate Participant

Current tax, if you will see our financials, this tax rate is for this quarter is 4% and deferred tax. If you see our balance sheet, deferred tax asset is created to the extent of 250... 200 crores. So, this is what the impact of say assets valuation has resulted in this IFRS accounting.

Jesal Shah

No sir, are you seeing that this tax provision that we have seen would be higher by about 200 crores, but for the deferred tax asset which has been routed through P&L or is there some part of deferred tax asset, which is routed through P&L and some which is taken to balance sheet?

Corporate Participant

No. It is not... it is like when an asset is... so you are taking the change in valuation, you have to credit deferred tax assets or liability and it gets appropriately accommodated along with the asset valuation, okay?

Jesal Shah

Right.

Corporate Participant

So, it is not routed through P&L. It is directly created in either in this liability side, deferred tax asset or asset side and other effect will go appropriately.

Jesal Shah

Right. And so for this year then, what is the reason for the tax rate being so low at around 5%?

Corporate Participant

That is because of the tax credit was available, which was utilized for this... tax is combined the sales tax, the actual tax payment and deferred tax liabilities combined. So, deferred tax instead of liabilities, we have credit, it is utilized for the tax payment, which is reflected in the tax rate expenses.

Jesal Shah

Right. So how much will be the current tax percentage to PBT?

Corporate Participant

It is around 13%, which is... if you will see this past also, we have 13% tax. And we expect that will continue for the subsequent quarters also.

Jesal Shah

Right. Okay. Thanks. And just one more thing, on the NCE front if you can just talk a little about in terms of the progress, I mean I hear in terms of the clinical trial progress and all of that, but in terms of monetization, if you can just comment in terms of what your thoughts are?

Corporate Participant

So we are still working on it Jesal. I mean hopefully this year we should have some news on the NCE side. In terms of monetizing, in terms of fastering an outlicensing.

Jesal Shah

Right. Okay. Thanks. I'll jump back into the queue.

Operator

Thank you very much, sir. [Operator Instructions]. Next in line we have Ms. Monica Joshi from Avendus Securities. Over to you ma'am.

Monica Joshi

Yeah, hi. Thanks for taking my question. It was very helpful for you to give us a breakdown on impact that IFRS would have. But Aditya, we would appreciate if you could break it down into the sales, staff interest and depreciation because it doesn't really help us if you give us a 65 crore impact at the net level. So, would it be possible to give the details?

Aditya Renjen, General Manager, Business Finance and Investor Relations

Sure. Monica, I will give it you after the call.

Monica Joshi

Great. And with that, if you could just give us the IGAAP consolidated numbers for the quarter, so we can have a fair comparison?

Secondly, I just wanted to know based on just the numbers that you have provided, I understand that is the tax VAT implication which is there. But having such that you have a fall in your domestic formulations business, is that correct? Is that the way I... is this the right assessment?

Aditya Renjen, General Manager, Business Finance and Investor Relations

No, not really. Actually, it goes back to the adjustment right because the sales that you are looking for the current year do not contain... whereas the previous year number does. So, if you adjust for that right you will find that there is a about roughly maybe a little 45 to 50 crores higher sales intuition fee in domestic politics.

Monica Joshi

As shown March over March?

Aditya Renjen, General Manager, Business Finance and Investor Relations

Y-o-Y correct.

Monica Joshi

Y-o-Y. Also, is there any complement of ForEx gain-loss that is included in the other expenses components here?

Aditya Renjen, General Manager, Business Finance and Investor Relations

There would be some foreign gain other income.

Monica Joshi

In other income and can you quantify that?

Aditya Renjen, General Manager, Business Finance and Investor Relations

Yeah, say about 60-65 crores.

Monica Joshi

Okay. Thank you. And Aditya, if you could just send us those details with the replay.

Aditya Renjen, General Manager, Business Finance and Investor Relations

Sure, sure. No problem.

Monica Joshi

Thank you.

Operator

Thank you very much, sir. Next in line we have Mr. Aditya from Lawrence Capital.

Analyst

Yeah. Hi. Thanks for taking my question. So, could you just quantify the impact of the hunting on the staff cost?

Aditya Renjen, General Manager, Business Finance and Investor Relations

Yeah. What is happening in IFRS, you have to do fair valuation and accordingly seems to me have adopted first time we have to this value is of all ESOP, including our subsidiaries, also we should ESOP. And that valuation we have to state to the say the number of years. So that first time discharged what we have to take this reflected in the this Q4 result which is some... you can this one time. And subsequent year we are not expecting that type significant charge on the -- on account of ESOP.

Analyst

Okay. So could you quantify the impacts for the total year, for the year number? The net of effect?

Corporate Participant

Yeah. It is around 50 to 60.

Aditya Renjen, General Manager, Business Finance and Investor Relations

Yeah.

Analyst

Okay, okay. That's helpful. And just another question on your selling and operating expenses also. So, I get that these are not exactly comparable, but it looks a little bit on the higher side. Is that a correct assessment or the Indian GAAP number actually show a lower number than this?

Aditya Renjen, General Manager, Business Finance and Investor Relations

Actually, see there are some expensive influence by the IFRS conversion, but then it will take the percentage to the revenue of Q4. It is inline with the nine month number. So, of course, there are certain the 5-10% IFRS conversion influence instances, but it is more or less inline with our previous past quarter percentage to the revenue.

Analyst

Okay, thanks. I will turn back to the queue. Thanks.

Operator

Thank you very much, sir. Next in line we have Mr. Arvind Bothra from Merrill Lynch. Over to you. sir.

Arvind Bothra

Hi, just a bit of color on the domestic formulation business. You clarified that there have been roughly 2 to 3% Y-o-Y growth. But if you look at the historical three, four quarters, we have seen it will be 18 to 20% growth in domestic formulation. I also understand that domestic would be one of our high margin business. Anything to say this quarter was aberrational?

Corporate Participant

So where... I don't know Arvind based upon the 2 to 3% Y-o-Y growth from our domestic business, growth is very sure.

Arvind Bothra

We said that after adjusting for VAT in fact there will be additional 45 to 50 crore higher sales. Right?

Corporate Participant

Right.

Arvind Bothra

Okay, okay. So that translates to similar growth, I am sorry for ignoring that. Also, on the API side Glenn we have seen sudden jump up in this quarter. Again is there a change in focus towards more of API or is it something of foreign issue or some one-off product supplies? Sequentially also we see a very healthy growth in API.

Corporate Participant

I just... I don't think here is one-off, okay. It's pretty much inline with what process -- on account of supplies to various markets and various large customers.

Corporate Participant

And maybe IFRS continues to grow or in more joint venture filed on a lot occasions are filling us and it's not one-off.

Analyst

Okay. One final question on the U.S. side, in the last quarter we have mentioned that we were awaiting commercialization of the 15 odd approvals which we got last year. Are we on track on launching those products and are we seeing good traction over there, just any color on the progress on those recent approvals?

Corporate Participant

Right. So, I mean we continue to gain market share and more often that also. So, it's of this point to approvals, 18 of them being final approvals in the past 12 months obviously commercialized and launching this in and I am sure there is tight cash and strong challenges. And as probably indicated during the light fall, I doubt taking it around from three months to four months to hit four momentum out of five. So we are seeing the momentum grow on those products are in mark-to-mark basis. And in line with what we anticipated.

Analyst

Okay. And that kind of answers my question. Thanks so much. That's it from my side.

Operator

Thank you very much sir. Next in line we have Mr. Bhagwan Chaudhary from IndiaNivesh Securities.

Bhagwan Singh Chaudhary

Yeah, hi. Most of my questions have been answered. Just again one small question on the domestic part means, if we head 458 and the growth is 7, 8% on the comparable basis. So again there is a particular reason for this? And addition to that the dermo segment is supported this market-share in dermo segment 8.1%, compared to that last quarter that was 8.34%. So, any -

Corporate Participant

So, I think the domestic growth if you look at the first page of our MD&A, even on the IFRS versus an IPR fixed rate, we are reporting a 12% growth. So, if you add the additional for 50 crores to the current year, that number will go up through I don't know what really. So, I think that's one thing what I keep in mind. So, the actual growth we are reporting in the domestic scales, this is a third time I am hearing the question on the domestic performance. So, I don't know where the confusion is.

But effectively, it should be at a 17 to 19% growth for the year on an IPR basis. As far as market-share, market-shares, if we got... all the time. So at times, what we are reporting is fully a market-share side. Arvind, I don't know if want to add nothing.

Corporate Participant

Nothing, is been in line but growth in last three quarters. So, 18 to 20% going there. Even I assume 7.3% growth rate. Inline with the growth energy there, and it is expressed 30.

Bhagwan Singh Chaudhary

Thank you. And one more question on U.S. so how many total products you had in the market and commercialized production in the U.S. markets? And what kind of strategy do you have -- kind of 20-25%.

Corporate Participant

Right now we have 50,000 products minus CapEx and of minus 4 million products at signing at the FDA. And we continue to anticipate the 20 to 25% growth moving forward.

Bhagwan Singh Chaudhary

Okay. One more question on balance sheet side. Because I remember last two years I was seeing that you... the amount on the balance sheet is the unsecured loans rate is much higher under the secured. So, is that means you have short term loan or is that any other reason because of this?

Corporate Participant

No, it is not the unsecured loans. Our unsecured loan will be reflected in the... now as per IFRS conversion is short term. But then they are not having short term maturities, they are having maturity over this more than 18 months to three year's time.

Analyst

Okay. So now means you -

Operator

[Operator Instructions].

Analyst

Okay, okay no problem. Thank you.

Operator

Thank you very much sir. Next in line we have Mr. Binu Patiparambil from IIFL Capital.

Binu Patiparambil

Hi. Thanks for taking my question. This impact of VAT on sales, does that apply to any other part of the revenue or just India formulations?

Corporate Participant

No, all as per IFRS the way of accounting or say recognizing sales revenue, they exclude this taxes and take it from the sales revenue, just to make it comparable across all the regions. So it is the practice followed consistently across all the regions. So, taxes and duties we like to VAT and they are always excluded from the sales, when they record the sales.

Binu Patiparambil

Right. But do you see that impact in our other revenue items say U.S. or LatAm or -

Corporate Participant

U.S. there is no tax. Wherever there is a tax component, whatever in similar like VAT, it is excluded. So, to that extent, you have seen the some sort of de-growth or say this reduction in growth in the comparative numbers.

Binu Patiparambil

Where there is both -

Corporate Participant

Yes.

Binu Patiparambil

So it's mainly impacting, the major -

Corporate Participant

Because of say we are comparing some two different type of these numbers. So that is... but then which are that will come in light.

Binu Patiparambil

Right, right, right. So, given that the revenue is recorded lower, I would assume that much would have been moved out of the expense as well?

Corporate Participant

Yeah.

Binu Patiparambil

Which would mean -

Corporate Participant

The whole impact from P&L, it is just a matter of recording.

Binu Patiparambil

Right, right. So, still the margins, the EBITDA margin which we have reported in IFRS for FY11 seem to be the much lower than your historic EBITDA margins. So, our first question is how do you explain that given lower revenue is seen recorded and correspondingly expenses out of the P&L? And second, is this the kind of EBITDA margin that we look forward to?

Corporate Participant

I think Aditya broadly explained and then if you have any further queries, you can contact him.

Aditya Renjen, General Manager, Business Finance and Investor Relations

Yeah, I think one thing you want to keep in mind, there are some one-time charges which are claimed this year. So, obviously, they are influencing the EBITDA margin. If you take those off, become object pretty much go back to a great level as mentioned it was in history. So, I think going forward you should see as maintaining our margins to where we were worked previously, somewhere.

Binu Patiparambil

Right, right. This onetime charges, this can we get a little more detailed clarity on that?

Corporate Participant

We talked about... we saw and we talked about and see considering take an interest. There are some things which are all onetime.

Binu Patiparambil

Okay, okay. Right, right, right. Okay, great. Thanks, I will jump back to queue.

Operator

Thank you very much sir. Next in line we have Mr. Aggarwal from Credit Suisse. Over to you, sir.

Analyst

Yeah thanks. Sir just a question I had joined the call later, so I don't know whether this question was taken. Your net debt, just from the previous quarter, from the December quarter seems to have increased by almost say $54 million.

Corporate Participant

Net debt... sorry what number can you say it again?

Analyst

Sir, your net debt I say just attract your cash and gross debt minus cash and 80% versus the number as we given in the last conference call. There is an increase almost like $54 million.

Corporate Participant

$34 million.

Corporate Participant

I think that Aditya explained that there is a factoring impact which has affected both FX as well achievable side. So, that's why the net debt is about 1,900 crores or -

Corporate Participant

Equitable also both -

Analyst

So that the actual increase which is about 150 crores?

Corporate Participant

And that's all account of IFRS, yeah.

Analyst

Excluding IFRS, what would have been the increase, sir?

Corporate Participant

Excluding IFRS, the increase of about 90 crores, so that also the same increase in cash. So on a net basis there is no delta, the only delta on a net debt basis is 150 crores.

Analyst

Okay. So, if you have to exclude the IFRS impact, the net debt would not have increased?

Corporate Participant

Correct.

Corporate Participant

Yes.

Analyst

But then just a question then, what would happen see because you would have generated cash out of operations in this quarter, right. That cash would have been somewhere in because I don't have the right number. What would have been the cash you would have generated from your P&L? Because it's either your net working to have increased.

Corporate Participant

No, there is some element so we below increased as per inventories by about 100 crores February-March. We have increased the investment in debtors by about 50 crores as of in March. So there have been some investments in working capital and some in capital expenditure as well.

Corporate Participant

But overall net working capital has come down.

Analyst

Overall net working capital has come down?

Corporate Participant

Yes.

Analyst

So, is that see basically most of the money has gone into CapEx. What would have been your CapEx this quarter?

Corporate Participant

Quarter right now we don't have, but if you look at the full year number we are around 350 to 370 crores.

Analyst

Okay. And my other question was on the U.S. sales. U.S. sales this quarter was in the region of around 49 to $50 million. Is that the run rate or is there a computation error on my side because you were doing till now sales of around $40 million till last quarter.

Corporate Participant

So we are -

Analyst

We are already ramped up to $50 million?

Corporate Participant

Yeah, yes.

Analyst

And, so this is essentially from the new product launches that we got the incremental $10 million sales?

Corporate Participant

Correct, yes.

Analyst

So sir this is very much likely to continue and with the future launches have planned for FY12, this run rate can increase further?

Corporate Participant

This is the account of run rate throughout the additional target we are still process of maximizing lots of launches of the improved last year, and with the other newer launches that we are going to have over the next several quarters that we have approved and are just waiting for a launch in... in fact we are going to launch this is the current run rate swap the additional products.

Analyst

Okay. Yeah, okay. Thanks. Just, I can take that number from Aditya, but just if you were to exclude all the one-off from this quarter, what would have been the EBITDA number for this quarter. If you can help with that number, if you have it ready?

Corporate Participant

I will try to come back to you. I don't have it right now.

Analyst

Okay, thanks.

Operator

Thank you very much sir. [Operator Instructions]. Next in line we have Mr. Aditya from Normi Capital.

Analyst

Yeah. Hi. Thanks for taking my question again. So, I just wanted to understand your Latin American genetics business. On a year-over-year basis for the quarter you have kind of registered a healthy growth. So anything that we should know the one-off or is it the IFRS is actually making us to look at that high kind of growth?

Corporate Participant

Well, I think Latin America for us, continues to be a focused definition, right. And you will see a strong growth coming out of Latin America even in the current year. So, I don't think there is too much of an impact on as far as the IFRS is growing, as far as the top-line sales are growing in Latin America. So, I think 35 to 40% sustain even in the current year. And for the next few years is what we.

Analyst

Okay, okay. That's helpful and the other question was around Europe. So what we've observed in most Indian companies and other companies, most of them have seen some kind of a slump in the European business, whereas we kind of have seen some healthy growth in the European business. Could you tell us what has been the differentiating factor here, what has helped us achieve that kind of growth in Europe?

Corporate Participant

What is still a branding market, so we are expecting brands making customers, to which we have some of them launches net out here. So, put together these two areas that we will grow by the consent for the company.

Corporate Participant

Business in Central Eastern Europe I forgot.

Corporate Participant

Central Eastern Europe, perfect.

Corporate Participant

Western Europe growth is..

Corporate Participant

On the Western European side we saw a variable base going into, this year we are going in two product. So, we doubled or more our product base roughly we have expanded into beyond UK, Germany and into the Netherlands. So, we not have been after say businesses adding more products to that infrastructure.

Analyst

Okay. Okay. And just if I can just one last question on bringing just a housekeeping question, is there any element of sales this quarter on the U.S. numbers?

Corporate Participant

What was the question here?

Analyst

Is there any element of Tarka fields, for the product Tarka in this quarter for the year?

Corporate Participant

They are very, very small numbers, right. We sold... what the demand is couple of it the quarter was that just a first couple of very small numbers.

Analyst

Yeah, that's for this year about $2 million would be about slight or would be lesser than that?

Corporate Participant

I don't know what the exact numbers of stocks.

Analyst

Okay, thank you. Thanks.

Operator

Thank you very much, sir. Next inline we have Mr. Mithul Doshi from Crisil.

Analyst

Yeah. Good evening, sir. I have just two quick queries. One I just wanted to confirm the numbers into the various adjustments from IFRS. We are saying that the sales, the impact had been negative 45 to 50 crores and at the backlog is 60 to 65 crores. Is that numbers right, sir?

Corporate Participant

Mostly, the VAT is not influencing the PAT numbers. VAT is the sort of accounting, so it is getting eliminated from income as well as expenses side.

Analyst

Okay.

Corporate Participant

Okay. So as far as VAT influence is concerned, Aditya is already explained there are certain one-time charges which we have taken at the time of first time adoption of IFRS. So, which we are not expecting that those this will continue in the subsequent quarters, okay. And quantum is around 60 to 70 crores.

Analyst

This is at the fact level, sir?

Corporate Participant

PBT.

Corporate Participant

PBT.

Analyst

PBT, okay fine. And sir, could you just explain the adjustment on the debt and the receivable side? 150 crores what was it exactly?

Corporate Participant

Actually, under IFRS, they are not recognizing the factoring, as we have separate transactions.

Analyst

Okay.

Aditya Renjen, General Manager, Business Finance and Investor Relations

We consider that as a loan. So, accordingly your loan amount and as well as receivables get this influenced by the factoring amount. So it supposed the factoring is right, then your receivable goes up by as well as your loan goes by it.

Analyst

Right. So, earlier the factoring would have been taken as a contingent liability, it's now get added to both the debt and the receivables?

Corporate Participant

Correct.

Analyst

Okay. Thank you, sir.

Operator

Thank you very much, sir. Next in line we have Mr. Anshuman from Citigroup.

Analyst

Hi. Thanks for taking my question. My first question is on Oxycodone. If you could update us on when the FDA will take action on the other place?

Corporate Participant

We are working on the FDA, on that AFDA work, as it's own privacy we are the only approved product in the market, I think a product is moving well. But I can't give you for certain when the FDA will actually take official action?

Analyst

What the current share, have you increased your market share beyond 75?

Corporate Participant

Well, I think both the liquid version and the capital version were 12 above nothing 5% market share of--. The IFRS will take some time to catch up, but follow more liquid for there, but liquid for here is also but the capital is also had to compete against the capital expenditures, several ANDA is already approved.

Analyst

My other question is on Crofelemer. Just an update on Crofelemer launch. Also we read an article which says that Salix was sued by Napo Pharma I mean I think as early as a recent or yesterday. So any update and does it impact any plans to launch Crofelemer in the U.S.?

Corporate Participant

So I think as far as we are concerned we are still plan to launch our markets in our markets. I mean I can't comment on the Napo-Salix lawsuit which is ongoing.

Analyst

So, launch timing for Crofelemer then by the end month, any new launch timings?

Corporate Participant

I mean our plan is basically to launch in FY13 in some of our markets and initiate launching in FY13.

Analyst

Sure. Thanks.

Operator

Thank you very much sir. Next in line we have Mr. Jesal Shah from JM Financial.

Jesal Shah

Yeah, hi. Just a question on the CapEx for next year?

Corporate Participant

So, Jesal in fact next year will be in the range of 250-300 crores.

Jesal Shah

Right. And the R&D expenditure for this year and the quarter?

Corporate Participant

For the current year R&D expenditure would be about 140 crores.

Jesal Shah

Right. And the number for the quarter please?

Corporate Participant

Should be in the range of 30 to 40 crores.

Jesal Shah

Right. And any update on that Calcipotriene product launch?

Corporate Participant

Yeah. We watched there was share of five, six months ago. It's 40 plus right and every month they are picking up market share and the relationship is going well. I will consider as far as a success so far together where we look there on that.

Jesal Shah

Okay. Thank you.

Operator

Thank you very much, sir. Next in line we have Mr. Nitin Agarwal from IDFC Securities.

Nitin Agarwal

Hi thanks for taking my question. Again, on the assessments what is the sustainable growth on this normalization, which is there based there now?

Corporate Participant

So we I think we should be growing in excess of 20% on these current business, right. I mean this year we have 5% growth because we had correspond in Q4 of last year. But I think going forward, other than the two figure jump in there.

Corporate Participant

But normalcy returns just simply over 30% and what we are doing is secondary always of growing a 30% should be always like this.

Nitin Agarwal

20-25% that looks like a dual number on this business?

Corporate Participant

Yeah.

Nitin Agarwal

Okay. And secondly on the account receivables, we had about 140 days of account receivable of database for as per IFRS. So, is there number also got impacted any manner by the IFRS sort of change to IFRS or this is not numbers which is impacted by any manner.

Corporate Participant

No, it has been because we added 150 crores or what used to be as part of the factoring into the debtors. So, if you look at the still number of September, debtors including factory, the days was 153 days. If you look at as March 10, it was 212. So 212 of March end became 153, which is now 138 and should hopefully continue to go down.

Nitin Agarwal

212, 150 gone to 140.

Corporate Participant

Yeah.

Nitin Agarwal

Okay. And lastly, what is our interest cost for the outstanding debts that we have right now? Are we going forward for the next year?

Corporate Participant

Interest cost, actually what this interest cost, it is the financial charges and then that includes bank charges and other charges for repay of mostly bankers. And so it is this something like 24 to 30 crores is added to this our interest costs because of... that is why this interest financial charges are reflected as 160 crores something.

So yesterday it will see in nine months, our interest cost was around 90 crores and for the quarter, it was influenced by the certain equity charge, interest charge also because we are reading the sections that we bond. So that interest we are supposed to recognize under IFRS, so that 13 crores is that interest cost is added to that level also one-time. And bank charges which are we need to reclassify as a financial charges. So, because of that, we have shown financial charges as 160 crores. Actually, interest components in that is around just 120 to 125 crores.

Analyst

Do you see this coming down going forward, because I guess as far as IFRS will continue to add back the bank charges in the financial cost?

Corporate Participant

No, it has nothing to do with IFRS. Interest is independent... interest.

Corporate Participant

What he is asking I think interest cost will go down further. So bank charges stay there. So bank charges is as it is also it was the reclassified bank charges. So interest cost may go down. It depends upon on this, but what we have seen in these two, three quarters domestic interest rate is going up little by 2, 3%. So, in subsequent quarters, domestic borrowings maybe little costly.

Analyst

So, I mean 150, 160 crore was of financial cost financial charges could be therefore as even for the next year?

Corporate Participant

Not necessarily. Because we are always changing the our we'll say portfolio from domestic to this for -

Corporate Participant

150, 160 won't be there no.

Corporate Participant

Yeah that is what that we are saying.

Corporate Participant

Actually interest component is 120, but that also this we expect that will go down this year.

Analyst

Okay. Thank you very much.

Operator

Thank you very much, sir. Next in line we have Mr. Binu Patiparambil from IIFL Capital.

Binu Patiparambil

Hi. My question is already been answered, thanks.

Operator

Thank you very much sir. Next in line we have Mr. Gautam -- from Blackrock.

Analyst

Hi gents, thanks for taking the call. Just two questions for you. Could you give us an outlook in terms of sales growth and margins for the blended business at FY12? And also just an IFRS hangover, if you could you comment on what do think ongoing impact is you quantified what the impact is for FY11, where is the ongoing impact from IFRS exchanges on the P&L? Thanks.

Corporate Participant

We think... as I forgot sales growth right and I mean given the current pace of the business, we feel pretty comfortable with the 25% top-line growth by. As far as margin also end, the bunch of one-off it's I think taken in Q4 which have mainly to follow IFRS conversion. But I think going forward our margins will continue to stay at 22, 23% margins rate. And that's what we anticipate for the current year.

Analyst

So over 22 to 23%?

Corporate Participant

That's right. That's what we've been tracking at and we will continue to see that kind of margin margins going forward.

Analyst

So the margin was much higher for last year FY11 in terms of percent?

Corporate Participant

Its about 22, 23% last year. And we will continue to sustain the same level.

Analyst

Okay. And is there any IFRS in that number or is that kind of a key number?

Corporate Participant

No, this is net of... I mean whatever you are seeing here is not on account of what history took in Q4. This is now going forward. As you should see things go back to the 20 to 25%.

Analyst

Okay. And just... and what's the impact ongoing basis for IFRS this year?

Corporate Participant

We have not seen anything significant impact on long-term basis. So, the cost is what you have seen in the Q4 is a onetime cost mainly. So, there will not be any significant impact of IFRS this one subsequent year.

Analyst

And would amortization will be lower on an ongoing basis?

Corporate Participant

Amortization will continue at the current rate, you are right. So, whatever is the run rate that we have for this year we should continue on that run rate.

Analyst

Okay. Thanks a lot.

Operator

Thank you very much sir. Next in line we have Mr. Agarwal for Credit Suisse.

Analyst

No, I am done with my question. Thank you.

Operator

Thank you very much, sir. Next in line we have Mr. Alok from MF Global.

Alok Dalal

Yes, hi. How do you see the debt levels moving in FY12?

Corporate Participant

We think the debt will almost come down. We anticipate some free cash getting generated by the business still have debt.

Alok Dalal

Okay. Any number that you can put that to?

Corporate Participant

I mean, we anticipate to the receive that somewhere about like out of the base business and then if we enabled with our some licensing deals, then it will come down.

Alok Dalal

Okay. Thank you so much.

Operator

Thank you very much sir. Next in line we have Mr. Sonal Gupta from UBS.

Sonal Gupta

Yeah, hi. Thanks for taking my question. One was I may have missed it. How much is the balance sheet intangibles now after this IFRS shifting to IFRS?

Corporate Participant

Sonal, I have to check that number, and come back to you.

Sonal Gupta

Okay. And just one more question was on sorry The tax rate at 5% for the full year. How do you anticipate the tax rate going forward?

Corporate Participant

We are for the full year, current year we are expecting something like 13 to 14% tax rate.

Sonal Gupta

Okay, great. And... sure. So that's all from me side. Thank you.

Operator

Thank you very much, sir. Next inline we have Ms. Monica Joshi from Avendus Securities.

Monica Joshi

Yeah, hi. Thanks for taking the question again. It was helpful for you to give the impacts on the full year interest expenses. Can you quantify this claim for your fourth quarter? Because what we have seen here is 67 crores, how much of that would be your FCC related?

Corporate Participant

Yeah, actually related expenses is approximately 13 crores and this bank charges to be exchange of this 22 crores.

Monica Joshi

35 crores, you are saying is extra, which should not continue ahead. That's what you are saying.

Corporate Participant

No -- so it is moving from other expenses to the interest cost. So it will continue as a financial charges.

Corporate Participant

FCC charge is not

Corporate Participant

FCC charge will be one-time.

Monica Joshi

Right. So this 22 crores refers to the entire year. You have taken that in the fourth quarter, is that right ?

Corporate Participant

Yeah. It reclassification of the expenses from other expenses to be financial charges.

Monica Joshi

Okay.

Corporate Participant

There is no extra expenses such as.

Monica Joshi

Thank you sir.

Operator

Ms. Monica, are you through with your questions?

Monica Joshi

Yeah, thanks. Thank you so much, yeah.

Operator

Thank you very much, ma'am. Next inline we have Mr. Nitin Agarwal from IDFC Securities.

Nitin Agarwal

Yes, I just wanting in terms of the licensing then we it's now classified in other income?

Corporate Participant

The impact of net operating.

Nitin Agarwal

It's starting net operating income.

Corporate Participant

Yes.

Nitin Agarwal

Okay. So that what does the other income are relating?

Corporate Participant

Some includes export incentives and exchanges and income.

Analyst

How much are DBT gains for us last year?

Corporate Participant

45, 47 crores.

Analyst

45, 47 crores. Okay. Okay, thanks very much.

Operator

Thank you very much sir. The last question comes from Mr. Aditya from Normi Capital.

Analyst

Hi. Sir just the last question on this 65 core impact for the full year, there is an IFRS. So could you just suggest us how much of this 60, 65 cores would be accrued in the last three quarters and how much of this 60, 65 crore impact will be for the current quarter?

Corporate Participant

It is not something like accrual. It is because of the conversions... you don't... when you first time convert this from Indian GAAP to IFRS, you have to... there are certain business lately you saw. You say this is normally accounted under intense cash at intrinsic value. But in the IFRS, there is a fair valuation. So, those valuation differences are taken into account while accounting.

So, those are the charges which are... you have to take at the time of first time in unit ratio. So those are the charges. Like other different treatment between Indian GAAP and IFRS, it is like you have to recognize certain interest cost again with your for say for the convertible bond also. So, like we have routine FCCB bonds which are actually Euro Coupon bonds, but then also under IFRS they want to recognize as a date as at past. So, to that extent those costs like similar costs are recognized.

Analyst

Okay. Okay, okay. That's helpful. And, sir if you want to give us in our profit number for the fourth quarter based on IFRS, extraordinary or one-time charges that you have booked this quarter what is that number look like?

Corporate Participant

I think Aditya... you can check with Aditya.

Aditya Renjen, General Manager, Business Finance and Investor Relations

It is arguably accurate number.

Analyst

Okay. Okay, thank you very much sir. Thank you.

Operator

Thank you very much sir. At this moment, I would like to hand over the floor back to Mr. Jason D'Souza for final remarks. Over to you sir.

Jason D'Souza, Investor Relations

Thanks Triveni. I'll just read disclaimer before we end the call. This document has been prepared by Glenmark Pharmaceuticals Limited. The information statement and analysis made in this document during the call describing company's objectives, projections and estimated are forward-looking statements and progress within the meaning of applicable security, laws and regulations.

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No representation of warranty either expressed or inclined is provided with relation to this presentation. The presentation should not be regarded by recipients or the substitute for the exercise of their own judgment. At this, we end the Glenmark earnings call. Thank you very much.

Operator

Thank you very much, Mr. Jason. Ladies and gentlemen, thank you for choosing WebEx's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.