

Operator

Ladies and gentlemen, good day and welcome to the Q3 FY14 Results Earning Conference Call of Torrent Pharma hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Ms. Perin Ali of Edelweiss Securities. Thank you and over to you, ma'am.

Perin Ali, Analyst

Thanks, Karuna. Good morning and a warm welcome to all of you on briefing of quarter three FY14 results of Torrent Pharma. We, at Edelweiss, welcome the management team of Torrent. Today we have from management Mr. Ashok Modi, Executive Director; Mr. Sanjay Gupta, Executive Director, International Business; Mr. Ruchir Modi, Chief Marketing Officer; and Mr. Rishi Shah, AGM, Finance. I hand over the call to Mr. Ashok Modi for opening comments. Over to you, sir.

Ashok Modi, Executive Director

During the first quarter the total revenues of the company grew by 27%, with total revenues at 1,015 crores versus 797 crores in the previous year. The Indian formulation business grew at 15%, with revenues at 296 crores versus 258 crores in the last year. As per AIOCD Torrent grew at 12% when the covered market growth was at 5%. The international operations registered a growth of 42%, with revenues of 637 crores. The constant currency growth for the quarter was at 25%.

The key highlights of the major international territories are as under.

The US business registered revenue growth of 61% with revenues at 148 crores, constant currency growth at 41%. During the quarter the company launched Duloxetine, which is Eli Lilly's Cymbalta generic version, under FTF status which was granted to six companies simultaneously. The company registered sales of more than \$6 million for the quarter, for Cymbalta.

Europe, including Heumann and greenfield operations, registered revenues of 248 crores with 59% growth and constant currency growth of 32%. The major contributor to the growth was Heumann. Rest of world, including RCIS, Mexico, Canada, et cetera, registered a revenue growth of 10% with revenues at 95 crores. The constant currency level, there was a de-growth of 1%. Brazil operations recorded revenues of 147 crores with a growth of 26% and the constant currency growth at 22%. The contract manufacturing operations were almost flat with a growth of 1%, total revenues from this operation contributed 76 crores.

The EBITDA margins of the company for the quarter stood at 23%. The ForEx loss during the quarter was 20 crores, which compared to the previous year same quarter, which showed a profit of 11 crores on ForEx account. The company profit before tax for the quarter was 188 crores as compared to 143 crores during the last year same quarter, showing a growth of 31%. The profit after tax and minority interest was 158 crores versus 112 crores, showing a growth of 41%.

On a year-to-date basis, the company revenue were at 2,950 crores as compared to 2,350 crores, showing a growth of 26%. The PBT for the period was 527 crores compared to 423 crores during the last year, showing a growth of 25%, while profit after tax has showed a growth of 30%. The figures being 420 crores for the current year versus 322 crores for the last year. The Board of Directors has also declared an interim dividend at 100%, which is INR5 per equity share.

Thank you very much all for the patient listening. And now we can start the question-and-answer session. Thank you very much.

Questions And Answers**Operator**

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Mr. Chirag from HDFC Mutual Fund. Please go ahead.

Unidentified Participant

Yeah, sir. Thank you for taking my questions. Sir, can you give us a sense of what kind of price erosion has Cymbalta seen in the first wave? And how should we look -- how should we think about it as we go forward? Sanjay, can you answer that question please? Sanjay?

Sanjay Gupta, Executive Director, International Operations

Hello, can you hear me?

Ashok Modi, Executive Director

Yes, we can hear you clear. Can you answer this question, Sanjay, please?

Sanjay Gupta, Executive Director, International Operations

Yeah, sure. So, I wouldn't like to go into the specifics of the price, but what I can say is that, at this initial stage, so we are at day 1, when the initial settle -- companies that settled their litigation have launched, there is not enough products in the market, so there are lot of customers who have not been able to source adequate amount of products. So with the five, six pairs that are currently on the market, there is somewhat of a shortage of Cymbalta generics.

As a result, the pricing has held up quite well. But we expect the pricing to hold up until new players come to market. There are still quite of few companies who are eligible to come to the market during the day 1 to day 181 period and they have not come for various reasons, either they don't have supplies or they haven't got approval. So there would be price erosion as new players come into the market. And then ultimately day 181 is 10th of June 2014, when we would expect a lot more companies to coming into the market and willing to substantially lower pricing.

Unidentified Participant

Sir, is there is any specific reason for us to believe that there is fundamentally new players who will come in will face supply shortage or something like that, so maybe API shortage or something like that?

Sanjay Gupta, Executive Director, International Operations

As of now, there are at least six more players who are eligible to come in, eligible meaning that they had also kind of somewhat settled a litigation with Eli Lilly. And I don't know about their individual situation, but you can expect them to be on the market at some time during the course of this current calendar year.

Unidentified Participant

Right, okay. And second question was, sir, on the Elder acquisition. In so far as Torrent's gynecology portfolio is concerned, do we have all the products in terms of the portfolio breath, do we have the hormones, do we have all the products that typically get into gynecology portfolio?

Ashok Modi, Executive Director

Yes, in our company we have all the products, hormones are the products that we are looking at as a pipeline to launch, because we believe in -- even though we are in acute segment, we believe in the chronic kind of therapies. Elder doesn't have hormones, but we have, in our sensor division, gynec division. So, like I said, the product that we have in gynec is

Unidentified Participant

Okay, thank you so much.

Ashok Modi, Executive Director

Yeah.

Operator

Thank you. Next question is from the line of Mr. Sudarsan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarsan Padmanabhan, Analyst

Congratulations on very good set of numbers. As I'm looking at your Brazil operations, it has seen a very good up tick this quarter. So I just wanted to know whether you are seeing a structural change in Brazil or is it just a restocking phenomena that might be a short-term kind of impact?

Ashok Modi, Executive Director

Sanjay?

Sanjay Gupta, Executive Director, International Operations

Yeah. I think there is a change in the Brazilian operation, Brazilian market per se. I wouldn't necessarily call it a favorable change in the overall Brazilian market. What we are seeing is that the local companies, the big player, four or five players are becoming increasingly aggressive in terms of price competition, in terms of marketing investments.

So we've kind of adjusted our model a little bit. We reorganized the field force to be more effective, so we had -- we reconfigured the territories and we are trying to, with the 325 field reps that we have, we are trying to do a better job, so some of that is bringing results, we've seen a uptick in market share for some products. I would say, we've adjusted pricing of some products on the lower side to be more competitive. So we have seen some impact of these marketing actions, but it's too early to say that this would be kind of sustained, it's early in the day, I mean, with the reduction in the last six months and I have seen some up ticks in market share in the IMS, but I wouldn't like to say hurray right away.

Sudarsan Padmanabhan, Analyst

And as I'm looking at your balance sheet, I mean, we have seen an increase in your non-current liability. Sir, if you can quantify what is the jump in your long-term debt? And second is that I've also seen that your receivable and payable days have moved up quite substantially, so if you can elaborate on that a bit?

Ashok Modi, Executive Director

As far as the receivables are concerned, basically the figure is appearing to jump if you compare over the previous year on two account. One thing is that there is a sharp erosion in ForEx and that has made it go up, that impacted substantial in this part. And the second is that because of the pricing structure particularly in the US and the German markets, (Technical Difficulty) typically booked in at gross sales level while the company sales are at a different price level. So you would see a higher sales to debtors ratio in general, which is aggravated in this quarter on account of a sharp erosion in ForEx. As far as non-current liabilities are concerned, what was it? Can you repeat the question on the non-current liabilities, please?

Sudarsan Padmanabhan, Analyst

Yeah. How much is your increase in long-term debt, which is just classified in your non-current liability?

Ashok Modi, Executive Director

200 crores.

Sudarsan Padmanabhan, Analyst

200 crores, okay. And sir, can you also give some clarity on the tax paid this quarter, which has been a bit low?

Ashok Modi, Executive Director

It is the -- I would say a quarterly phenomena, overall for the period, it should still be in the range of 20% to 22% on an annual basis.

Sudarsan Padmanabhan, Analyst

Okay. Thanks a lot, sir. I'll join back the queue.

Operator

Thank you. Next question is from the line of Mr. Anubhav Aggarwal from Credit Suisse. Please go ahead.

Anubhav Aggarwal, Analyst

Yeah. Good morning. Sanjay, couple of questions for you. One is on Cymbalta, you've recorded \$6 million sales for this quarter, is this -- let's say for the March quarter, when you report, would that be higher than this or what I'm trying to ask is, is this sales of \$6 million representative of your 7% market share which you have in the market today or for a quarter?

Sanjay Gupta, Executive Director, International Operations

Cymbalta, I mean, I would say that I would not give this number to forecast, because there are quite a few dynamics in the market. Firstly I've mentioned that there's not enough product on the market, so everybody is trying to ramp up production to bring more tablets into the US. So depending upon the rapidity of the supply chain and the responsiveness of the manufacturing units of the team, the card would get reshuffled. But then in the US, when -- sorry,

Anubhav Aggarwal, Analyst

Yes, I think that if I just say \$6 million and less \$25 million at 7% market share that's \$350 million generic market size. That almost speaks about almost 85% to 90% price erosion. So from that perspective, I was checking that is \$6 million under representative number for a quarter potential what you report?

Sanjay Gupta, Executive Director, International Operations

Okay. The 7% market share that you've seen is very earlier IMS data. I wouldn't rely on it too much.

Anubhav Aggarwal, Analyst

So you're saying that your market share effectively is lower than 7% or higher?

Sanjay Gupta, Executive Director, International Operations

No. I would say that the market share data that we have right now is very early and it won't be the correct data, because IMS barely has less than a month of data, so some folks buy daily IMS shares and those are not really reliable, so I would wait for sometime before making those kinds of calculations. And projecting forward is going to be dicey also, because in the US when you launch a product, customers ask you for price guarantee, so you are basically price-protect customers for anywhere between 30 to 90 days depending upon your product and the circumstances. So if there are new players that come on and there is price erosion, you are contractually obliged to price to protect some important customers. So I don't know if I would use the \$6 million or \$7 million to project fourth quarter sales. It could be higher if you are able to ramp up our production, it could be lower, if there are new players in the market, or others are more successful in increasing production before us.

Anubhav Aggarwal, Analyst

Okay, thanks. And just second question on the Brazil market. Did you launch any new product -- did you get any -- so, two questions, did you get any approval in the last six months in Brazil or did you launch any new product which you got approval earlier and you launched in last six months?

Sanjay Gupta, Executive Director, International Operations

Sure. So, essentially we launched a product which is Nebivolol, which is a beta blocker, fourth generation beta blocker, we launched it in the last six months. It's been doing reasonably well, it was launched during the September timeframe and we have obtained about 13% market share and we are the first generic on the market, so we have understood [ph] goal for Nebivolol.

And then what the other business that have got launched and which is reflective in the slide, that's actually, we've started the generic division in Brazil. And the generic division has generated, initially, we have some products which are semi-exclusive, semi-exclusive meaning like there are three or four competitors for those generics. And we are seeing some good traction there. So the two new products of our business in Brazil is Nebivolol and the generics division.

Okay. And I have one question for Mr. Modi. Do you have any clarity now on the Elder's India business acquisition, how effectively your interest cost could be fund in that acquisition of 2,000 crores? Is it of 10% or more than 10%?

Ashok Modi, Executive Director

See, that would -- the transaction should take another couple of months before all the regulatory and other approvals are in place. And then the way the interest rate market and the financial things are moving around, particularly, now with the elections in the offing, the uncertainty in this field is substantial. So to make any guess would be quite hazardous at this stage.

Anubhav Aggarwal, Analyst

And just one last question on the gross margins. Your gross margins are very flattish, let's say, year-on-year or sequentially, despite, Cymbalta contribution in India and Brazil still being very good. Was Europe sales, which is low margin, the only reason or anything else which contributed gross margin begin flattish despite such a good mix?

Ashok Modi, Executive Director

No. If you see -- let me say, the offsetting [ph] was about \$6 million. Now if you consider the impact on the total 1,000 crore tilt, it cannot significantly change anything either side. So the product mix is by and large similar and this small 6 million cannot affect the gross margins on the total basis in any significant manner.

Anubhav Aggarwal, Analyst

But, sir, India and Brazil also were good and the gross margins -- they are higher than your company average. So, considering the impact of all three together, I was thinking that at least we should see some margin improvement in the gross margin?

Ashok Modi, Executive Director

(inaudible). Basically, the ointment sales have jumped up in this quarter significantly. So that would have taken away the margin improvements which might have been seen from the US and Brazil operations parting-up [ph].

Anubhav Aggarwal, Analyst

Okay, sir. Then it's only the impact of Heumann, got it. Thank you very much.

Operator

Thank you. Next question is from the line of Mr. Koushik Pal from Kotak Mutual Fund. Please go ahead.

Koushik Pal, Analyst Ashok Modi, Executive Director

We would not -- we normally don't share product wise or gentry [ph] wise margins in that manners, sir.

Koushik Pal, Analyst

No, I mean, I'm not asking for a number. I'm basically saying obviously it's higher, I mean, that's understood for a part of our product, but is it a lot higher or is it not that significant to (Technical Difficulty) sometime it will -- of their overall margins?

Ashok Modi, Executive Director

Best I can say that it is higher.

Koushik Pal, Analyst

Okay. Secondly, on -- when I think about margins about next year as a whole, I know that you mentioned that you don't want to extrapolate the Brazilian growth this quarter in a hurry, but given the fact that you may be having a low base of FY14 -- in FY14 to grow on Brazil and the fact that your business is also scaling up, beyond a point you might be looking at better profitability there.

I mean, conceptually, I mean, the margins should be higher on a year-over-year basis, should that be a fair assumption?

Ashok Modi, Executive Director

I'm sorry, but we would not like to give anything as far as the next year is concerned.

Koushik Pal, Analyst

Okay. And finally on the Elder acquisition funding, is there at least clarity whether you will be going for domestic versus domestic debt or foreign debt to fund that?

Ashok Modi, Executive Director

What I can say is the debt which would be -- tying up would be by and large domestic debt.

Koushik Pal, Analyst

Okay. Thank you, sir. That's all from my side.

Operator Girish Bakhru, Analyst

Yeah, hi. Would it be possible to give the absolute R&D numbers for the quarter?

Ashok Modi, Executive Director

Sir, we don't share individual expense items. I'm sorry.

Girish Bakhru, Analyst

But as a percentage to say that would be broadly around 4% or would be higher than that?

Ashok Modi, Executive Director

Yeah. The broad trend is what it was last year, there is a marginal improvement possibly.

Girish Bakhru, Analyst

Okay. I'm asking in context of some of the initiatives that you have been taking for the US market, as you mentioned in the last call, certain entities opportunities, so is it increasing significantly or just still about more it was last year?

Ashok Modi, Executive Director

Yeah. In terms of percentage, it is likely to be in the same range.

Girish Bakhru, Analyst

Okay. The second question was on the US launches, last quarter you mentioned you have about 14 odd launches from the last quarter to end of 2014 and given that, I mean, pending approvals are about 22. So is that the correct number still to look at, like 14 launches, I mean some of them, maybe one or two products you would have launched in the last quarter, including Cymbalta. So about 10, 12 launches from 22 pending approvals?

Sanjay Gupta, Executive Director, International Operations

Yeah. I think, you should consider that about 10 more launches to go and about 25 pending approvals.

Ashok Modi, Executive Director

Yeah.

Girish Bakhru, Analyst

Any color particularly on Detrol, I mean, you don't have a tentative there, but it seems like it's an opportunity where there might be very limited number of players, any color on what kind of competition you will get in that in the US market?

Sanjay Gupta, Executive Director, International Operations

It's a difficult product. So, yeah, we don't anticipate a lot of competition for that. But we haven't been kind of approved yet. So it's difficult to say whether we'll be on the starting line or not. Obviously, we aim to be there, but I cannot predict the FDA time line.

But, and the way the US market works is either you're there on day one, and if you're not there, then you wait for a few months, because the customers have just signed on contracts, you don't want to go back 15 days later or 30 days later, you want to wait for a few months before you go back to the same customers when they are re-evaluating the strategies.

Girish Bakhru, Analyst

Right. On Brazil, I just wanted some clarity, I mean, you said that Nebivolol has launched and you have gained good market share, but any volume pick up that you have seen from the price reductions that you did in the two brands? What is the volume pricing mix in the Brazil, if you can give some color on that?

Sanjay Gupta, Executive Director, International Operations

I (inaudible) in terms of targets, but like for example, we've personally halted the decline in market share, so if you look at the IMS data products which were on the downward slope have stabilized in the historical increase in terms of market share. So two of our big molecules are Lamotrigine and Indapamide. And for both of these products, for Indapamide, we've actually seen an increase in market share, I can share with you what the market share is right now. If you look at the last IMS, our market share for Indapamide is now -- I'm sorry, it wasn't Indapamide, I was referring to the price reduction products. So, Lamitore we had a very high market share, our market share used to be in the 55% range and now it seems that stabilized at 54%. And the other products where we're seeing up tick is Reliv, where we've been declining and now our market share has started to increase and now we've seen that go up from a low of about 8.7% to 11% currently.

So, we are seeing the kind of stability to an increasing trend for the key products for which we took pricing actions.

Girish Bakhru, Analyst

And the average price reduction in these two was in the order of what extent?

Ashok Modi, Executive Director

Sanjay, just hold on. 30% to 50%.

Girish Bakhru, Analyst

All right, thank you.

Operator Manoj Garg, Analyst

Yeah. Good morning to all of you and thanks for taking my question. Ruchir, just I would like to understand, through Elder's portfolio which we have acquired into Nutraceuticals and Pain Management, how do you see the scope of cross selling of some of our existing products, and what kind of incremental revenue, which we can generate because of this anchor brands now having with us like Shelcal and other products from Elder's portfolio?

Ruchir Modi, Chief Marketing Officer

Yeah, you mean to say what synergy we can capitalize?

Manoj Garg, Analyst

Yes, you can drive with that.

Ruchir Modi, Chief Marketing Officer

We launched gynec as a greenfield project in 2010 second half. And absolutely no access to the clinic we didn't even visit them. So, recently we have after, 2.5 years of efforts, able to garner almost 22 crores internal sale in gynec portfolio alone from almost zero 2.5 years back. So, another aspect is that we have been focusing on the chronic portfolio in the gynec segment, where as Elder is focusing on the women healthcare they call, which is like a add-on portfolio for gynecology. So, that's a Shelcal which is a multi-vitamin plus calcium and/or let's say the other brands that they have. They are more as an add-on therapy rather than the main therapy, whereas we have the main therapy and hormones, which are long-term. So even the portfolio -- while the portfolio is complementing, what we are getting with Elder is the immediate access in the clinic, what we understood is that their relationship with all the 30,000 gynec across India is so good, starting from a post graduate or a student in college who passes out to the top doctor, I think they have programs for all the doctors and they are very close to them, which I think currently we have may be relationship with let's say 10% of the entire population of gynecology.

So that, the excess that they have can enhance the portfolio, I mean, the growth, it can multiply that we have in our products, because we are slowly, customer access is always expensive and then you repeat business is not that expensive. So that kind of would help us in our existing portfolio a lot.

Let's say, currently we are growing at 36% last year-on-year, how much that 36% will go up that I'm not, but it will definitely go up than what it is currently.

Manoj Garg, Analyst

And do you see the similar kind of synergies with any other specialty also apart from gynecology?

Ruchir Modi, Chief Marketing Officer

With the orthopedicians.

Manoj Garg, Analyst Ruchir Modi, Chief Marketing Officer

Yeah. The Chymoral, Chymoral 4 and some of the other add-on products that because Shelcal vitamin D3 is extremely relevant to orthopedicians also and they are very strong there and even Chymoral, Chymoral 4 to having 85% market share with 85 crores sale.

They have very good equity with surgeons and orthopedicians. And again we launched our ortho division called UNOVISTA in January 2013, just one year back. And we have a sale of almost 45 crores, because we had some ortho products in our multi-specialty division which we carved out into rheumatology and ortho division.

And so from that angle, again that division gets a complete booster with their other division, which is ortho focused.

Manoj Garg, Analyst

Okay. So is it fair to say like, may be over the next three to five years, because of this three anchor specialty which we get into through these brands, can give us incrementally may be 150 crores, 200 crores kind of incremental sales?

Ashok Modi, Executive Director

Manoj, we don't give guidance per se.

Manoj Garg, Analyst

No. I'm not asking about guidance, sir.

Ruchir Modi, Chief Marketing Officer

Manoj, sorry.

Manoj Garg, Analyst

No issues. And the last question for Mr. Modi before I get into the queue. Sir, like this 2,000 crores kind of goodwill which will come on the balance sheet, sorry if you have taken this question earlier because I didn't attend that call. How are we going to account this goodwill, sir, like, are we going to impair every year or what could be the like?

Ashok Modi, Executive Director

See, the process for this is that along with our auditors and external agencies, we will have to evolve our process of allocation of this entire value and the various set, which is required by the accounting standards, and that process we will be undertaking closer to the closing date which is likely to be let's say March or something.

Manoj Garg, Analyst

Okay.

Ashok Modi, Executive Director Manoj Garg, Analyst

Okay. That's all from my side and wish you all the best, sir.

Ashok Modi, Executive Director

Thank you.

Operator

Thank you. Next question is from the line of Mr. Bino P from IIFL. Please go ahead.

Bino Pathiparampil, Analyst

Hi, good morning all and congrats for a great set of numbers. Just a couple of questions. One, in Brazil, we had a target of three to four product launches a year, so if that still a viable target, are we looking to launch more this year and next year, et cetera?

Ashok Modi, Executive Director

You are talking about the domestic market?

Bino Pathiparampil, Analyst

Brazil market, three to four product launches a year was our original target?

Sanjay Gupta, Executive Director, International Operations

The target remains still valid, but obviously it just depends up on ANVISA. And we've seen quite a few -- I would say changes in regulations or changes in the implementation of current regulations. So, it's a little bit in the flats as to how the approvals have come through, ANVISA was facing a very severe backlog, they took fantastic measures which were, I would say, not necessarily friendly towards the industry. And so it's hard to predict.

Our pipeline is strong, so we have quite a few, I would say, dishes on the stove, but when they would get the leads from ANVISA is -- I won't be able to predict it. All right.

Bino Pathiparampil, Analyst

So this financial year you have launched only one, right?

Sanjay Gupta, Executive Director, International Operations

This year we've launched -- actually even the generic products, they require separate registration as generics, because it's almost a parallel process, so we cannot automatically make it generic, so we had a quiet of few generic approvals

Bino Pathiparampil, Analyst

Okay, right. In the domestic market, the issues related trade margins, et cetera, are they behind us, are we starting to grow another period of stable growth?

Ashok Modi, Executive Director

Yes.

Bino Pathiparampil, Analyst

Okay, so all those issues have sorted out. And finally coming to the US filings, you have just about 22 or so ANDAs awaiting approval, which has been coming down significantly over the last few quarters. Does that concern you because if you would launch another 10, 12 over the next 12 months, then there are not many to give us a comfort of growth over next three, four years, so are you --

Sanjay Gupta, Executive Director, International Operations

Sorry, are you referring to the generic patterns, Bino?

Bino Pathiparampil, Analyst

Yeah. No, no, no, I'm asking about your ANDA filings. You have only about 22, 23 pending approvals, ANDA filings in the US, right, which is actually down from 30 plus a year back. So typically what we have seen in companies in your stage of growth in the US market is that the number of ANDAs pending approval goes up because people keep on filing more and more, whereas in your case

after the initial ramp up, we see the number of filings coming down. Is that something which concerns you or is that just a temporary period?

Sanjay Gupta, Executive Director, International Operations

So the -- right now the numbers speak to a kind of slowdown in launches from Torrent in the 2016 timeframe. And if you adjust to the mathematical calculation, you will see that, the launches that we would have couple of years down the line might not be that high.

So we are in the process of correcting that. And the way to correct it is essentially first we have increased our investments on our projects announced. We are going to be doing more and then we have also aggressively build up a team for in-licensing and partnering with other companies to act as their front-end in the US to try to kind of cover up this temporary launches and then the pace would pick up again, when our products starts showing up in the 2017, 2018 timeframe.

Bino Pathiparampil, Analyst

Yeah. Okay. So you have already started investing in correcting that?

Yeah. We're conscious about it that there is a period about a year and half, two years when we will not have the same number of our -- for given our scale we would be sub -- we would have pure launches that we will need to maintain the momentum and the way to correct it is -- is to increase your own investments and to partner with other companies. And we have a very strong front-end in the US now, so we are well known to the customers. And there's plenty of companies in development projects who are looking for a strong front-end partner in the US.

Bino Pathiparampil, Analyst

Great. Thank you and best of luck. I will join back the queue.

Operator

Thank you. Next question is from the line of Mr. Amit Shah from Enam Assessment Management. Please go ahead.

Amit Shah, Analyst

Yeah, hi. Great set of numbers, congratulation. Just two questions, one on the US business. Sir, we have seen in the last few years, the growth was very high, constant currency terms in the US business partially because of the lower base. However, last two quarters what we have seen is that, now if for this quarter if we exclude the contribution of Cymbalta, the growth is roughly 20% to 24% for last two quarters. And if we further exclude the currency contribution, then the constant currency growth would be in the single digit. So sir, what's the reason really, I mean, on this low base shouldn't you be growing at least in double digits for the US market?

Sanjay Gupta, Executive Director, International Operations

I think one quarter is, there can a lot of, I would say factors that go into the top line and the bottom line during the course of the quarter, there could be some accounting adjustments, there could be some charge backs. There are various moments when you get some charges from the customers. So it's -- I would say our trend in the US clearly is strong double digit growth. And I think I would see that should continue given the number of launches that we have, even at the price erosion, with the immense volumes at their capacities as we are building up in India for the US market. I would say, double digit growth is the minimum we should expect from the US. Ashok, anything?

Ashok Modi, Executive Director

Yeah, thanks.

Amit Shah, Analyst

Okay, yeah. And my second question is on European operations. So what we have seen in this first nine months, I mean your top line growth is primarily lead by European business, Heumann particularly, as you have said in the past because of few tender wins. So just want to understand, does the numbers correctly reflect your sales for the quarter in the sense, is this number high maybe because of the initial supplies to tender and later on will taper off or this is the true reflection of the quarterly base which you have formed now and we can expect some growth on this base?

Sanjay, would you like to take that or I should take that?

Sanjay Gupta, Executive Director, International Operations

Ashok, why don't you try first and then I can complete it, if required.

Ashok Modi, Executive Director

Sure. So you see the tenders are for ongoing products, so even when a new tender is launched, there is no sudden spurt in sales because of let us say typical issues of pipeline filling or any such things.

Amit Shah, Analyst

Okay.

Ashok Modi, Executive Director

The ongoing sale which happens, so from a particular date from which you win the tender, you starts supplying the products.

Amit Shah, Analyst

Okay.

Ashok Modi, Executive Director

So there are no spurt in the lifetime of the tender.

Amit Shah, Analyst

Sure. So typically just tenders are for two years, right, if I'm not wrong, in Germany?

Ashok Modi, Executive Director

Yeah. Two years is the general term, correct.

Amit Shah, Analyst

Right, right. So if we are seeing such a strong growth in this year, I mean, we hope to continue this kind of strong revenue even for the next year, is that a fare assumption?

Ashok Modi, Executive Director

Yes. The revenues from tenders -- revenue are coming from two distinct. One is that there are ongoing tenders which we are supplying and if there is a market pick up of demand that would also increase the supplies against the existing tender. So, the overall supply situation in that is significantly dependant on the market demand of these products as well. But yes, there is a reasonable level of base which we have built in, so we don't see things going wrong going forward.

Amit Shah, Analyst

Okay, fair enough. Okay, that's it from my side. Wish you all the best.

Ashok Modi, Executive Director

Thank you.

Operator

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

Nitin Agarwal, Analyst

Thanks for taking my question. Sanjay, on the US business we talked about 10 to 15 filings or launches in the current year, I mean, is there a way to sort of characterize these filings, in terms of the kind of niche limited competition opportunities which could form a proportion of these launches rather for the current year?

Sanjay Gupta, Executive Director, International Operations

I would say it's a mixed bag. So we had some blockbuster type products and some more niche products. What is difficult to predict and which results in the greatest economic performance is the number of competitors. So, and you can have a much more lucrative small product and quite a disastrous large product, it just depends up on the market dynamics.

So what Torrent has is, I would say, hedged portfolio which has some very large products, where there is strong market demand and we think at our scale we can make a trend in the market and so we're playing market like Duloxetine, (inaudible), so some very big markets like that. At the same time we are very comfortable playing in smaller markets like Alprax, Dilzem (inaudible) very often that would be integrated, and which results in good economic returns to the company.

So we, kind of, balance it out. What we have is, I would say oral solids, so oral solids, vertically integrated oral solids, some of them will source if we have some others, so it's I would say a heterogeneous mix which result in good results, sometimes from one side of the portfolio, sometimes from the other side.

Nitin Agarwal, Analyst

When you, sort of look out for these launches without getting big specific details of them, I mean, are they specific through three or four products of the way you feel extremely comfortable or are you very reasonably positive about in terms of way they can contribute in a disproportionate manner compared to the size there we are?

It's a little bit like taking ten shots at the goal, you know there are three or four you would score, but you don't know which ones.

Nitin Agarwal, Analyst

Okay, got it.

Sanjay Gupta, Executive Director, International Operations

So then one thing is -- yeah, go on.

Nitin Agarwal, Analyst

Yeah, sure. On this year, we've talked, so the US essentially is playing out nicely now, and we've had this huge CapEx, large CapEx plan in the hedge. I mean, over the last few quarters when you look at this CapEx plan and the way of visibility of the business is changed, how do you -- is it more comfort on this ability to utilize this CapEx, because one doesn't -- or which are the two specific geographies which is going to -- business which would be the primary drivers for this CapEx as it's going to come through?

Ashok Modi, Executive Director

If I am understanding your question, you are saying that whether this investment would be utilized properly or not?

Nitin Agarwal, Analyst

Yeah. I'm saying in terms of your own comfort on the visibility that you see for the CapEx -- for which you putting up this CapEx, how is that sort of change over the last few quarters?

Ashok Modi, Executive Director

No, you see the CapEx was planned -- typically this sort of project take two to three years to execute. And the capacity is there, et cetera, are all taking into account a longer time in a horizon. Now (Technical Difficulty) happen that during the processes, there might be one or two years sort of lag or lead, to that extent it is fine, otherwise, this CapEx is very well sort out and all these things which are now falling in place, we've anticipated and accordingly the capacities for this digital [ph] plant.

Nitin Agarwal, Analyst

So, what will the CapEx that you will do for this year and next year, sir?

Ashok Modi, Executive Director

This year, Dahej, we'll be doing around 250 crores to 275 crores, next year would be, roughly in 225 crores to 250 crores, similarly.

So that will pretty much finish off the CapEx in Dahej next year?

Ashok Modi, Executive Director

No. There might be a bit leftover for the year after that. See, these are all regulatory required -- I mean, the regulatory approvals would be required for this plant. So some of the CapEx is scheduled to coincide with the regulatory approval so that we don't -- we are not left with sort of capacity build up which cannot be utilized, because the plant is not approved.

Nitin Agarwal, Analyst

Got it. And lastly, if I can squeeze one last one. Sanjay, on Cymbalta, you talked about the manufacturing constrains for different players, I mean, how do we see our sort of position there in terms of ability to cope up with supply issues?

Sanjay Gupta, Executive Director, International Operations

Right now we don't see any issues.

Nitin Agarwal, Analyst

Okay. Thanks.

Operator

Thank you. Next question is from the line of Mr. Sameer from Morgan Stanley. Please go ahead.

Unidentified Participant

Yes. Thanks. Good morning, everyone. A quick question in Cymbalta, I think very few people have asked. This product was approved on 11th in December, so exactly how many weeks of sales does the \$6 million represent?

Sanjay Gupta, Executive Director, International Operations

Ashok, you want to say in terms of accounting days?

Ashok Modi, Executive Director

No, I mean, it is 11th December to 31st December.

Unidentified Participant

Fair enough, but there would be some inventory that you would have supplied additionally, right?
No, no. Inventory is not shown in sales.

Unidentified Participant

No, no.

Sanjay Gupta, Executive Director, International Operations

Do you mean to say inventories to customers?

Unidentified Participant

Yeah, yeah, exactly. Just you might have taken couple of weeks extra now?

Sanjay Gupta, Executive Director, International Operations

Yeah. You can imagine that there is -- like I mentioned, there is a shortage for this product, so what we've been doing is, we've been allocating this product to customers and essentially it's been a kind of hand-to-mouth situation, so I don't think there are large customer inventories on this products now in the US market.

Unidentified Participant

Okay. So roughly about, I understood it's hard to put any number. But the 6 million actually represents one month of sales, not a one quarter of sales. As it remains the same pricing, same market share, whatever that we have?

Ashok Modi, Executive Director

Yeah. That is a correct inference.

Unidentified Participant

Okay. So that makes it as \$70 million per annum at whatever market share, that's almost close to \$1 billion at manufacturing pricing as things stand today?

Ashok Modi, Executive Director

That is your inference. I will not give a twist here.

Sanjay Gupta, Executive Director, International Operations

That's a very big caveat.

Unidentified Participant Ashok Modi, Executive Director

No, I mean, see, each product has different requirements in terms of manufacturing processes, but like I said, currently we don't see any challenge in terms of supply -- being able to supply this product as per the market requirement.

Sanjay Gupta, Executive Director, International Operations

So, it is our glass product, so essentially it has a lot of machine time and then you have to essentially balance between the different products as to which one you prioritize at what time.

Unidentified Participant

You said large machine time just because the large volumes that needs to be done?

Sanjay Gupta, Executive Director, International Operations

Yeah. I mean, it was a \$4 billion, \$5 billion product and neither more tablets.

Unidentified Participant

Okay. That's fine. Thanks.

Ashok Modi, Executive Director

Yeah.

Operator

Thank you. Next question is from the line of (inaudible) from HDFC Mutual Fund. Please go ahead.

Unidentified Participant

Yeah, sir. On the Brazilian market, last time around, we had unbranded generic approvals about 13 products and 24 were pending, has that number changed, how many have we launched for this quarter?

Ashok Modi, Executive Director

Right now, I think, we are marketing in about seven to eight generic-generic products in Brazil. So we will be adding products, but we have a very small team, so the team in Brazil for generics as five or six people, it's a very, I would say, more like general operation we have, we don't cover all the distributors, it's -- we are learning as we go along, because we are getting some very large local generic players, companies like (inaudible), so we are being, I would say, cautious and I'm trying to take more niche strategy on going towards some smaller and medium size regional distributors. And so it's still early days for our generics business in Brazil.

Unidentified Participant

But is that a case that as our portfolio sort of expands in terms of the number of products that we offer to the market, this business can actually -- the momentum can actually improve significantly from even these levels?

Sanjay Gupta, Executive Director, International Operations

It can, but the two things that bother me right now is the portfolio impact. So Companies like Medley have hundreds of products. but to what extend does that play with the distributors and to what extend are they doing cross subsidizing. And so that's one thing that bothers me. And the second thing which bothers me is we are very good in detailing brands, we have a small sales force selling generics. And we have some people who call upon pharmacies and these are called point-of-sales people. They don't go to physicians, they go to pharmacies and try to prevent futures, so we have a contracted team that does that for us, but since there are

hundreds of people doing point-of-sale are calls.

So we are learning this, the importance of point-of-sale people and the importance of having a large portfolio of products. So, I mean, I'm not 100% certain to what extent we would need to modify our strategy as we have learning in the months ahead.

Unidentified Participant

Okay. And in terms of our field force for Brazil, the number still remains at 315?

Sanjay Gupta, Executive Director, International Operations

Yeah, it's in the 300 range.

Ashish Rathi, Analyst

And second question was on the Indian market. Can the Elder Pharma field force, which currently targets doctors for the acute segment of the gynaecology portfolio, can they also detail doctors on the hormones, et-cetera?

Ruchir Modi, Chief Marketing Officer

Yeah, absolutely. See basically I would say, see hormones and other products are very difficult to make and we need a strong R&D center backup. And other products that they have are not that difficult to make. So I think our R&D capability could achieve that and launch these products, they worked in a different environment and so they (Technical Difficulty).

Sanjay Gupta, Executive Director, International Operations

Yes. No, I missed the answer. I'm sorry.

Ashok Modi, Executive Director

Yeah. Should I repeat?

Yes, please.

Sanjay Gupta, Executive Director, International Operations

Yeah. So, what I'm trying to say is that, the products that Torrent has in the basket are actually difficult to make products and you need a strong R&D backup to launch these products which we have. The portfolio with Elder is a -are products which are not that difficult to make and you can launch it easily and hence, I would -- the most important thing is customer access and the equity and relationship with the customer which either of extreme high level with them. What they didn't have is the R&D back up and the difficult to make to products, which now with our portfolio, they get it. So it's very easy for them to promote these products because they have great access to the customer, because the products are relevant to the same customer.

So, yes, I don't think it is difficult or -- to promote our products by their field force. It's very easy, in fact, it's much better. They have much better timeshare in the clinic of the doctors because of access.

Unidentified Participant

Sir, what will be the field force size for gynecology-focused portfolio for Elder?

Sanjay Gupta, Executive Director, International Operations

Total field force we are taking for this entire business is about 1,100 people and let's say 50% would be for gynec and 50% would be focused on ortho and surgeon divisions. So there are two divisions basically.

Unidentified Participant

Thank you so much, sir. All the best.

Operator

Thank you. Next question is from the line of (inaudible). Please go ahead.

Nimish Mehta, Analyst

Yeah, thanks for taking questions. This is Nimish Mehta. Sir, one question on the trade margin issue in India. I mean, there had been some hue and cry on -- of increasing the trade margin on the NLEM products. Where do we stand now and what do we see the impact on that domestic performance?

Ashok Modi, Executive Director

Right now, majority of the industry is not agreeing to or not giving into the great demand of the increased margin. Torrent is also -- not yet given into that. So let us see how the whole thing unfolds.

Nimish Mehta, Analyst Ashok Modi, Executive Director

We won't be able to help you on that, sir.

Nimish Mehta, Analyst

Okay and just one -- I mean, a simple question, we see gross margin not increasing -- or remaining flattish for Q-o-Q or Y-o-Y, but EBITDA margin has increased, so what could be the reason behind that because we understand that Cymbalta is also not a big contributor, so -- and Brazil also have not improved in pricing is what I understand. So what has really led to the improvement in margin, even on a Q-o-Q basis?

Ashok Modi, Executive Director

The basic reason is typically, this fixed expenses in sales and marketing, both in the Indian market, as well as the sales across all the territories. They have remained flat and with improved top line growth, the EBITDA margins have improved.

Unidentified Participant

And they are likely to remain at the same level at least for the next, let say, three, four, five quarters?

Rishi Shah, AGM, Finance

Which one, the EBITDA or the expenses?

Unidentified Participant

The sales and marketing expenses.

Rishi Shah, AGM, Finance

Sales and marketing expenses may not remain same as we go forward.

Ruchir Modi, Chief Marketing Officer

I would just add here, the data you might have which Mr. Rishi would have given about a year back. We have a field force of around 3,800 year back we had and I kept on maintaining every quarter that we are focused on productivity and hence the current field force of Torrent is 3,600, so we have rationalized 200 people. So while the top line growth has grown by 15% in Q3, our productivity has grown by 21%, because we have rationalized 6% reinforce and that trend will continue at least two years down the line.

Unidentified Participant

Okay. So, PCPM or however you measure the productivity today and what is your target achievement?

Ruchir Modi, Chief Marketing Officer

3.7 lakhs is our PCPM and like I had mentioned in my last call that 7 lakhs to 8 lakhs is the right PCPM which a healthy company should have, a good profitable company should have and that's what our aim is.

Unidentified Participant

And you feel that you are pretty much on track?

Ruchir Modi, Chief Marketing Officer

Yeah, because we are specialty-focused company, we are continuously defocusing on antibiotics and GPs and continuously increasing our focus on specialty and the specialty products. So, yeah while productivity improves, high GC products also sale improves. So, this is the combination we are working on, we've got result this year and will continue to focus, that's our long-term strategy too.

Unidentified Participant

Okay, thanks very much.

Ashok Modi, Executive Director

Thank you.

Operator

Next question is from the line of Mr. Ashish Rathi from Emkay Global Financial Services. Please go ahead.

Ashish Rathi, Analyst

Yeah. Thanks. Most of the questions have been answered. Sir, just if you could throw more color on the ANVISA side, you said the issues pertain, I mean, just is there any pick up on the approval side but this has been linked [ph] issue for us in terms hindering growth for the last -- quite some time now, two years or more.

Ashok Modi, Executive Director

No, we haven't seen any acceleration in ANVISA approvals yet.

Ashish Rathi, Analyst

Okay. On average, how many months if you could quantify does it take, just on an average, a ballpark figure post filing and approval?

Ashok Modi, Executive Director Ashish Rathi, Analyst

36 months. And sir, you also mentioned that there has been some measures they have taken which have been adverse, could you throw more color on that?

Ashok Modi, Executive Director

Essentially there used to be a process at the ANVISA where there was a very active dialog with industry and which was time consuming for ANVISA, but it resulted in multiple opportunities for the industry to answer queries and to respond to the needs before they will reach a decision. And what we are seeing is that the opportunities and their actions have shrunk in a dramatic way as they try to accelerate their decision making or they are under pressure to clear the backlog.

Unidentified Participant

Okay. So, does that imply that the approval as a percentage of filings also comes lower because of lack of interactions?

Sanjay Gupta, Executive Director, International Operations

I would say -- yeah, you can infer that because, it basically means that the discussion element is (inaudible) or the opportunity to go back with remedies or with alternative proposals. It's getting very difficult to interact with the ANVISA on similar to what we do in countries like the US for example.

Unidentified Participant

And so, sir, in that scenario today, we have in this quarter, say achieved 20 plus percent constant currency growth in Brazil and that is very healthy compared to the last five, six quarters. Can we assume a similar kind of at least momentum would be there for the next year or so in your visibility?

Sanjay Gupta, Executive Director, International Operations

I would just caution you that I mentioned that we launched the generic division in the last four, five months. So on the slide, we mentioned the figure that can -- the percentage -- the part of growth that comes from the generic business. That's because of the launch of this new division. And so, I mean, that's obviously something that we hope to develop. But the first time, in fact, it would be, they are doing in the first 12 months and after that we'll see where that goes.

Unidentified Participant

Got it. Thank you. And that's helpful. That's all from my side.

Operator

Thank you. Ladies and gentlemen, due to time constrain, that was the last question is from the participant. I would now like to hand the conference over back to Ms. Perin Ali for closing remarks. Thank you and over to you, ma'am.

Yeah. Thanks everyone for joining the call and on behalf of Edelweiss, I thank Torrent management team for taking off time. Mr. Ashok Modi, sir, if you have any closing comments, please go ahead.

Ashok Modi, Executive Director

No. Thank you for the response and I understand the number of people on the call were close to I mean in excess of 150, so thank you for showing and showing [ph] such keen interest in Torrent and its operations. Thank you all very much.

Operator

Thank you.

Ashok Modi, Executive Director

Thank you. Bye.

Operator

On behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.