

Q3 2017 Glenmark Pharmaceuticals Ltd Earnings Call

Edited Transcript of Glenmark Pharmaceuticals Ltd earnings conference call or presentation
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Corporate Participants

* Jason D'Souza

Glenmark Pharmaceuticals Limited - VP, IR

* Glenn Saldanha

Glenmark Pharmaceuticals Limited - Chairman & MD

* Robert Matsuk

Glenmark Pharmaceuticals Limited - President, North America and API

* P. Ganesh

Glenmark Pharmaceuticals Limited - President & CFO

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Conference Call Participants

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* Prakash Agarwal

Axis Capital - Analyst

* Neha Manpuria

JPMorgan - Analyst

* Nitin Agarwal

IDFC Securities - Analyst

* Kumar Saurabh

Motilal Oswal Securities - Analyst

* Sudarshan Padmanabhan

Sundaram Mutual Fund - Analyst

* Anubhav Aggarwal

Credit Suisse - Analyst

* Sameer Baisiwala

Morgan Stanley - Analyst

* Bharat Shetti

Standard Chartered Bank - Analyst

* Abhishek Sharma

IIFL - Analyst

* Saion Mukherjee

Nomura Securities - Analyst

* Manoj Garg

DSP Merrill Lynch - Analyst

* Kartik Mehta

Deutsche Bank - Analyst

* Girish Bakhru

HSBC - Analyst

* Surya Patra

PhillipCapital - Analyst

* Ranvir Singh

Systematix Shares - Analyst

* Deep Master

ENAM Holdings - Analyst

* Harsh Agarwal

Deutsche Bank - Analyst

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Operator [1]

Good day, ladies and gentlemen, and welcome to the Q3 FY17 Earnings Conference Call of Glenmark Pharmaceuticals 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. (Operator Instructions) Please note, that this conference is being recorded.

I now hand the conference over to Mr. Jason D'Souza. Thank you, and over to you, sir.

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP, IR [2]

Thanks, Margaret. Welcome to Glenmark's Q3 earnings call. We'll go through the review of the operations for the quarter ended December 31, 2016.

For the third quarter ended December 31, 2016, Glenmark's consolidated revenue was at INR25,350 million, recording an increase of 42.55%. Glenmark's consolidated revenue excluding other revenue was at INR24,812 million, recording an increase of 39.53%. For the nine months ended December 31, 2016, Glenmark's revenue was at INR67,284 million, recording an increase of 25.93%.

India; sales for the formulation business in India for the third quarter was at INR5,168 million, recording growth of 5.91%. As per IMS MAT 2016, Glenmark improved its ranking to 15th compared to 17th as on MAT December 2015, with increase in market share by 0.1%, exhibiting value growth of 15% vis-a-vis IMS growth of 10%. Glenmark presently has eight brands among the top 300 brands of the Indian pharmaceutical market.

US formulations; Glenmark Pharmaceuticals registered revenue from the sale of finished dosage formulations was at INR12,308 million (\$183.27 million), recording an increase of 102.15%.

On December 12, 2016, Glenmark announced the availability of Ezetimibe, the first and only generic version of ZETIA in the United States for the treatment of high cholesterol. The availability of Ezetimibe is the result of a licensing partnership with Par Pharmaceutical, an Endo International plc operating company. Glenmark and its partner Endo will be entitled to 180 days of generic drug exclusivity for Ezetimibe.

In the third quarter of the financial year 2016-2017, Glenmark was granted final approval and launched Nystatin and Triamcinolone Cream, launched Triamcinolone Acetonide Cream and Potassium Chloride Extended-Release Tablets. The Company filed five ANDA applications with the USFDA, and plans to file another 10 applications in the forthcoming quarter. The total number of ANDAs filed during this year was 11.

Africa, Asia and CIS region. For the third quarter, revenue from this region was INR2,511 million, recording an increase of 6.25%. In the third quarter of the financial year 2016-2017, the secondary sales for the Russian subsidiary recorded growth of 34%. According to IMS Health MAT November 2016 data, Glenmark's Russia dermatology business grew 65.1%

versus overall dermatology market growth of 9.9%. The overall growth for the dermatology business is still driven by the strong growth in Oflomil nail lacquer and Klenzit C. The Asia and the Africa business recorded an average performance during the quarter. The subsidiaries of Malaysia, Vietnam and South Africa recorded good secondary sales growth for the third quarter.

Europe formulations; Glenmark's Europe operations for the revenue was at \$1,957 million, recording an increase of 10.98%. For the third quarter of the financial year, Glenmark's Europe business grew [15%] on a constant currency, aided by good growth in the Western European region. The UK subsidiary performed well in the quarter. The Central Eastern Europe continued to remain subdued, thus impacting the overall growth for the region.

Latin America; Glenmark's revenue from Latin America was at INR947.20 million, recording a decrease of 23.44%. The LatAm region continues to remain subdued on account of the base effect arising from the sales of Venezuela. The overall growth for the Brazilian subsidiary in the third quarter continues to be impacted, due to the weak economic environment and lack of new product approvals. The Mexico subsidiary recorded double-digit growth in constant currency for the quarter.

API; revenue of sales from the API business was \$1,920 million, recording an increase of 32.47%. Glenmark filed for two US DMFs during the quarter.

R&D; the Company has a pipeline of seven NMEs, which includes two new chemical entities and five new biological entities in various stages of clinical development, focused in therapeutic areas of oncology, respiratory and dermatology. The Company also has three specialty products in clinical development, targeting key indications in the respiratory therapy area.

BEAT Technology; BEAT is Glenmark's proprietary technology for the production of bi-specific antibodies. Engaging two targets in one bi-specific antibody is an approach to target cancer cells, for instance, by the redirections of cytotoxic cells -- T cells. With BEAT Technology, Glenmark's scientists have been able to overcome past production obstacles encountered with bi-specific antibodies and efficiently manufacture these molecules on an industrial scale.

Oncology assets; GBR 1302, a HER2xCD3 bi-specific antibody, is the first clinical candidate based on Glenmark's proprietary best-in-class BEAT platform. Preclinical study results from redirected lysis assays suggest that GBR 1302 has superiority to current 1st and 2nd line HER2-targeted monoclonal antibodies through faster and more complete killing of HER2+ tumor cells. Glenmark has initiated a Phase 1 trial for GBR 1302 in Germany and will soon expand recruitment to the US.

GBR 1342, a CD38xCD3 bi-specific antibody based on Glenmark's proprietary BEAT platform. It targets CD38, a proven target in multiple myeloma. Results from preclinical assays in comparison to daratumumab, an FDA-approved monoclonal antibody targeting CD38, suggest that GBR 1342 has more potent antitumor effect on patients derived multiple myeloma cells. Glenmark plans to file an IND application to initiate a Phase 1 study in the second half of CY 2017.

GBR 8383 is a new type of highly potent OX40R agonist and it potentially represents the first in a new class of potent Immuno-Oncology molecules. OX40R is a member of the TNFR superfamily and is expressed on activated CD4 and CD8 T cells, as well as a number of lymphoid and non-lymphoid cells. Preclinical data has confirmed a strong agonistic effect on the Immuno-Oncology target OX40R compared to other OX40 agonists currently in the clinic.

GBR 1372 is an EGFRxCD3 bi-specific antibody, based on Glenmark's proprietary BEAT platform. It targets the epidermal growth factor receptor, a proven target in several cancers, including squamous cell carcinoma of the head and neck and colorectal cancer. GBR 1372 has demonstrated preclinically the ability to bypass KRAS and BRAF mutation limitations of current therapies, such as Erbitux and Vectibix. GBR 1372 is currently in preclinical studies and is also being studied, developed for non-small cell lung cancer and head and neck cancer.

GBR 830, the dermatology asset, an anti-OX40R monoclonal antibody was discovered at Glenmark's Biological Research Centre. It is an OX40R antagonist targeting activated T cells and effector memory T cells. In a Phase 1 study, GBR 830 was safe and well-tolerated with no significant issues. GBR 830 is currently in an ongoing Phase 2 proof of concept study in the US and Canada in adults suffering from moderate-to-severe atopic dermatitis. Development of GBR 830 for the treatment of other immune disorders is also underway.

Respiratory assets; GRC 388XX. GRC 388XX is an NCE currently in preclinical studies. Targeted indications for GRC 388XX include chronic -- include COPD and idiopathic pulmonary fibrosis. Its class and mechanism of action are currently undisclosed.

[GBR 301] is a specialty combination of a steroid and an anti-histamine, administered intranasally for the treatment of seasonal allergic rhinitis in adults and children. Glenmark has two ongoing Phase 3 trials to support its regulatory review. Despite advances in therapy, there is an increase in prevalence of allergic rhinitis in countries with a Western lifestyle. Although topical nasal corticosteroids and non-sedating antihistamines are highly effective in treating allergic rhinitis, there remains a group of patients who have a poor response to these treatments.

[GBR 304] is a LAMA for the administration by nebulization for a long term, once-daily, maintenance treatment of bronchospasm associated with COPD. Glenmark plans to initiate a Phase 2 Study in the next six months for patients with mild-to-moderate COPD as established by the Global Initiative of COPD disease.

GBR 310 is a biosimilar candidate currently in preclinical studies being developed for the treatment of asthma and chronic idiopathic urticaria. GBR 310 has the potential to be among the first respiratory biosimilars approved in the US.

GRC 27864 is a candidate for out-licensing, is a potent, selective, and orally available inhibitor of the mPGES-1, a novel therapeutic target in pain management, which is up-regulated under inflammatory conditions. A Phase 1 first-in-human single ascending dose and multiple ascending dose studies has been completed in the UK with no safety concerns. It is currently in Phase 2 development.

With this, I would like to read some notes from the financials. The gross debt for the Company as on December 31 was INR5,495 crores. The net debt as on December 31 was INR3,750 crores. The net debt of INR3,750 crores, that is \$552 million, remained flat, the same as on September 30, 2016.

The net working capital ex-ZETIA continues to trend in the 105 days to 110 days range. Total asset additions was INR220 crores. R&D for the third quarter was INR276 crores, which was 11.12% of sales and INR706 crores for the first nine months, which is 10.70% of sales. Other income included ForEx gain of INR5 crores and the remaining was interest income. Cash interest -- cash component, which is in interest, is around INR49 crores of the total INR62 crores reported in the P&L.

With this, I would like to introduce the Glenmark management team on the call. We have Glenn Saldanha, Chairman and Managing Director of Glenmark Pharmaceuticals. We have Rajesh Desai, Executive Director, Finance, Glenmark Pharmaceuticals Limited; Robert Matsuk, President, North America and API; and P. Ganesh, President and CFO, Glenmark Pharmaceuticals Limited.

With this, we can open the floor for question-and-answers. Over to you, Margaret.

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Questions and Answers

Operator [1]

(Operator Instructions) Prakash Agarwal, Axis Capital.

Prakash Agarwal, Axis Capital - Analyst [2]

Congrats on good set of numbers. Sir, just trying to understand the US-based business. Q-on-Q we had already shown improvement last quarter, \$115 million. Just trying to understand what would have been the growth Q-on-Q for the US-based business?

Unidentified Company Representative [3]

So we are not breaking up the US numbers ex-ZETIA. All we can say at this point is, ZETIA will contribute \$200 million, \$250 million to the total revenues of the Company.

Prakash Agarwal, Axis Capital - Analyst [4]

But would it be fair to say that there would have been improvement directionally, despite a lot of noise on channel consolidation, pricing and stuff like that?

Unidentified Company Representative [5]

I mean, the reality is the US market, there is significant pricing pressure, right. So we are not guiding specifically as to how the base business is trending.

Prakash Agarwal, Axis Capital - Analyst [6]

Not even color that it will be positive -- it would have been positive Q-on-Q or not?

Unidentified Company Representative [7]

No, at this point, we're not giving any further visibility in terms of what's going on in the US business.

Prakash Agarwal, Axis Capital - Analyst [8]

And taking this forward to the EBITDA margins, I mean, we have seen India business sequentially much lower because of the low base in Q3 last year. Just trying to understand what would have been the trend in the EBITDA margin ex of ZETIA, Q-on-Q?

Unidentified Company Representative [9]

Look, the India business, I think overall -- I mean, we still continue to grow in the India business as -- is your question related to the EBITDA for the India business?

Prakash Agarwal, Axis Capital - Analyst [10]

Yes, for the overall EBITDA and since India is much lower Q-on-Q because of -- so --

Unidentified Company Representative [11]

India, I think the overall business, right, we continue to trend at about 20%, 21%, in terms of EBITDA margin. So that we continue to sustain.

Prakash Agarwal, Axis Capital - Analyst [12]

Despite India being much lower as a percentage, I mean if you see that?

Unidentified Company Representative [13]

Correct. I mean, this is obviously without the -- our overall business, our base business, if you look at last quarter, right, we had a 20%, 21% EBITDA margin; that we continue to sustain.

Prakash Agarwal, Axis Capital - Analyst [14]

And the last one is on the launches. So I understand you launched Nystatin and T Cream, but what about Diclofenac and Lidocaine? Did you already launch that?

Unidentified Company Representative [15]

Yes. They were launched at the end of Q2.

Prakash Agarwal, Axis Capital - Analyst [16]

And how has been the traction, sir, because we're unable to see market share trends even now?

Unidentified Company Representative [17]

Yes. We continue to get market share, not all of which is going to be reflective yet as it works its way through the channel and to the pharmacy and to the patients ultimately.

Operator [18]

Neha Manpuria, JPMorgan.

Neha Manpuria, JPMorgan - Analyst [19]

I understand you don't want to talk about specific numbers in ZETIA. But just to understand, how has the pricing been for ZETIA and what is the market share that we are trending at, because the data suggests that there hasn't been too much pricing erosion, which does not look very right. So just wanted to get some color?

Unidentified Company Representative [20]

So the trend in market share for ZETIA on a weekly basis is up around 56%, the latest figures we have. And, I mean, the pricing is about what we expected, but we don't get into the specific pricing metrics.

Neha Manpuria, JPMorgan - Analyst [21]

And, sir, because of the demonetization in India, did we see an increase in the receivable days, if you could give us that number, and how are we seeing the trend now, that situation has normalized, but there was obviously some amount of forward buying in November?

Unidentified Company Representative [22]

So, on the India receivable days, we have not kind of seen -- we have kind of stayed course, so we're not kind of changed our credit stance. That is the reason you've seen that the India business also has been impacted significantly.

Neha Manpuria, JPMorgan - Analyst [23]

And do you expect this impact to continue into the quarter, or has the cash situation normalized to start seeing growth pick up again?

Unidentified Company Representative [24]

I mean, currently, we still remain among the fastest growing companies, but I think it's hard to predict what's going to happen in this quarter. We clearly think starting April, we expect the growth to definitely pick up, right? I think there may be a couple of more months of slow growth coming out of India.

Neha Manpuria, JPMorgan - Analyst [25]

And if I may squeeze in one last one. Sir, our ANDA filings seem to be trending behind what we guide quarter-after-quarter, but our R&D expense obviously is trending up. I mean, has the delay in filing got to do with changing guidelines in the FDA in December, which is delaying certain filings? If so, are we seeing some of our complex filings getting delayed more than we had expected?

Unidentified Company Representative [26]

I think on the ANDA side, look, full year, we think we'll end up with -- between 20, 22 filings, right, which is pretty much on course to what we've historically been filing and what we've expected. So, I think, I don't see any major -- I mean it's a quarter-to-quarter phenomenon, but I don't see any major movements in terms of the filings and stuff like that.

The other thing is, strategically as a company, we've restricted ourselves to -- all our filings are mostly in the areas of complex products, niche products, those kind of products. We do not do anymore vanilla generic filings, by design.

Operator [27]

Kumar Saurabh, Motilal Oswal Securities.

Kumar Saurabh, Motilal Oswal Securities - Analyst [28]

Correct me, if you -- for the previous caller you said that -- did you mean that ex-ZETIA the margins were flat or improved quarter-over-quarter sequentially, given the fact that India margins remained where it was last quarter, (multiple speakers) understanding?

Unidentified Company Representative [29]

EBITDA margins are trending between 20% to 21%. I think that's --

Kumar Saurabh, Motilal Oswal Securities - Analyst [30]

At base business.

Unidentified Company Representative [31]

On the core business.

Kumar Saurabh, Motilal Oswal Securities - Analyst [32]

And, sir, Jason, correct me, did you say that fixed asset addition was INR220 crores during the quarter?

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP, IR [33]

Yes, that's right.

Kumar Saurabh, Motilal Oswal Securities - Analyst [34]

This was primarily because of patent acquisitions or CapEx?

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP, IR [35]

So, primarily on CapEx. There was about -- in terms of intangibles, it was about INR35 crores to INR40 crores, but primarily on CapEx.

Unidentified Company Representative [36]

I mean, I think on a full-year basis, we will meet the guidance that we put out in terms of CapEx.

Kumar Saurabh, Motilal Oswal Securities - Analyst [37]

And sir, so going forward, you are saying that 10 filings we will be doing. But in terms of launches, do we have a visibility that FY18, how should we look at?

Unidentified Company Representative [38]

I mean, it's hard to predict, but typically you should expect 10 to 15 launches in the year.

Kumar Saurabh, Motilal Oswal Securities - Analyst [39]

And R&D expense should remain at the -- as a percentage of sales should remain at the current level, this is how we should look at it?

Unidentified Company Representative [40]

Yeah. Our guidance is 11% of sales, net of any out-licensing income and that's the way we look at it.

Kumar Saurabh, Motilal Oswal Securities - Analyst [41]

And sir, just one more question if I can squeeze in. Our tax rate, given the fact that US sales was much higher and India sales was muted, tax rate was expected to be a little higher, but it still remained low, or rather flattish quarter-over-quarter. Any particular reason for that?

Unidentified Company Representative [42]

Yes. So, as far as tax rate is concerned, for the quarter it's been about 28% and tax rate is also a function of where the profits get captured, transfer pricing rules and a combination of multiple factors. It's not influenced just by US.

Kumar Saurabh, Motilal Oswal Securities - Analyst [43]

So even for the next quarter also we should expect it to be in the similar range?

Unidentified Company Representative [44]

Should be in similar range, possibly marginally lower.

Operator [45]

Nitin Agarwal, IDFC Securities.

Nitin Agarwal, IDFC Securities - Analyst [46]

My question on the -- our gross margins are significantly -- sharply improved Q-o-Q basis. So all other improvement, should we just -- I mean, it should be largely on the back of higher ZETIA sales, or there is a component of the base business also which have contributed to the improvement?

Unidentified Company Representative [47]

It's primarily on the back of ZETIA.

Nitin Agarwal, IDFC Securities - Analyst [48]

And, Glenn, on the other expenses, we've seen like two quarters of very, very sharp increase on a Y-o-Y basis. So there is an R&D component to it. Even if we exclude the R&D component, we've seen other expenses moving up by almost 35% for the last two quarters on a Y-o-Y basis, which is a pretty high base, or already you have pretty high number on a very high base. So can you help us understand exactly what's happening and is this the way to look at the other expenses on a sustained basis?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [49]

So the other expenses have gone up as a function of higher R&D spends, as well as higher selling and distribution, warehousing costs, et cetera. So it's a combination of these factors.

Nitin Agarwal, IDFC Securities - Analyst [50]

So these should be sustained sort of a number on a run rate basis?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [51]

On distribution element, there is a small one-off in it.

Nitin Agarwal, IDFC Securities - Analyst [52]

Is it possible to get any handle on that?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [53]

We are not -- difficult to break it up, Nitin, but there is definitely a --

Unidentified Company Representative [54]

No, directionally last couple of quarters has been on the higher side. We could see some amount of moderation. But it's difficult to break it down into exact numbers.

Nitin Agarwal, IDFC Securities - Analyst [55]

But in terms of the thought process on the other expenses, I mean, how are we seeing it? Is this in terms of the pace at which it's going to grow, because it's clearly outpacing the pace of our revenue growth for some time now?

Unidentified Company Representative [56]

So I think, Nitin, if you look at the business, I think in terms of -- the delta is on R&D. R&D now we are already at 11% of sales. I think the way we are looking at it is, when you look at other expenses over the next two or three years, I think trending wise, the leverage should come from other expenses. So as a percentage to sales, assuming R&D at 11%, we should kind of get some leverage from other expenditure going ahead.

Operator [57]

Sudarshan Padmanabhan, Sundaram Mutual Fund.

Sudarshan Padmanabhan, Sundaram Mutual Fund - Analyst [58]

Sir, I would like to understand with the profits that is coming out of ZETIA, I mean what is the kind of debt repayment that we can see over the next -- by the end of March and probably by the end of June as well?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [59]

Sorry, can you repeat the question?

Sudarshan Padmanabhan, Sundaram Mutual Fund - Analyst [60]

See, with the cash that is being generated from ZETIA, I mean we were expecting the debt to come off, which I mean apparently is not being visible this quarter. Primarily, I would understand that ZETIA just contributed. But I would like to understand, probably in March, what would be the kind of gross debt and net debt that one can expect on an absolute basis?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [61]

Yes. So, good part of the ZETIA cash will definitely get used for debt repayment. So directionally we should end March with net debt which is lower than the March 2016 levels.

Sudarshan Padmanabhan, Sundaram Mutual Fund - Analyst [62]

And sir, with respect to ZETIA, I think we are partnering ZETIA. How do we capture the sharing that we have? Would it come on a lag or the numbers that is being reported already takes into account our own shares only?

Unidentified Company Representative [63]

We can't give any visibility on the -- other than it's a 50-50 profit share, right.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [64]

So just to answer your question, as far as what gets accounted in our financials, it is our share.

Unidentified Company Representative [65]

Our share.

Operator [66]

Sameer Baisiwala, Morgan Stanley.

Sameer Baisiwala, Morgan Stanley - Analyst [67]

Just on ZETIA, Glenn, just one clarification that you launched in December 12. So the sales that we see for the US, is there any abnormal or more than required inventory filling up, or this relates to just one month of sales?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [68]

Yes. So in the first month or so, you're going to see slightly more, mainly because of stocking effects, but it's not dramatic.

Sameer Baisiwala, Morgan Stanley - Analyst [69]

And the second is, has the Company felt the -- or has the industry felt the impact of Walmart, McKesson tie-up, or this is something that we should see in the ensuing months?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [70]

Not at this point. It's probably going to be this quarter or the following quarter.

Sameer Baisiwala, Morgan Stanley - Analyst [71]

And do we have a meaningful exposure there?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [72]

I don't think there is anything that we would anticipate that would be major.

Sameer Baisiwala, Morgan Stanley - Analyst [73]

And for potassium chloride, I think there was some manufacturing or supply constraint at our end. Where we on this right now?

Unidentified Company Representative [74]

I think potassium chloride, we still haven't gone all out to gain market share and we are still taking our time in terms of putting the investment in terms of CapEx.

Sameer Baisiwala, Morgan Stanley - Analyst [75]

One final question, Glenn, with your permission. So Latin America is down even sequentially and I would imagine in 2Q there probably wasn't too much Venezuela, if at all anything. So what's driving the sequential sharp drop? And second is, any update on the \$40 million lying in Venezuela?

Unidentified Company Representative [76]

So 2Q we had some sales in Venezuela, okay, whereas Q3, it's completely zero. And that's the drop, Latin America, on a constant -- if you strip out, Venezuela is growing, probably about 15% to 20% for us on constant currency basis. And we will continue to see that kind of growth going forward.

Sameer Baisiwala, Morgan Stanley - Analyst [77]

Any update on \$40 million to be taken out of Venezuela?

Unidentified Company Representative [78]

ONGC has now got some money, I think last week, right. So we are still hopeful that we will be able to get some money sometime in Q4 or Q1.

Operator [79]

Anubhav Aggarwal, Credit Suisse.

Anubhav Aggarwal, Credit Suisse - Analyst [80]

Glenn, one question on ZETIA. There was a price increase taken by Merck. Actually that was a little surprising after generic entry in the month of January. Is there a possibility that we could get higher market share, or possibility of generic taking a price increase after taking price increase in ZETIA?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [81]

I wouldn't anticipate significant changes in what we've originally modeled based on their price increase.

Anubhav Aggarwal, Credit Suisse - Analyst [82]

And just a couple of more questions. And in the interest costs in the financials, we still haven't seen the benefit flowing through of the refinancing that we have done at lower interest costs. When will that benefit will be seen?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [83]

So just to share with you, the interest cost which appears as INR62 crore, the cash component in that is INR49 crore. So there is a FCCB options valuation which happens quarter-to-quarter. So if you exclude that, and if you look at what's the cash component in terms of interest costs, that's around INR49 crore. And as far as other income is concerned, there is about INR8 crore of interest income sitting over there. So if you look at net interest including interest income, it's come down.

Anubhav Aggarwal, Credit Suisse - Analyst [84]

But, sir, if you look at effectively sequentially with -- one is FCCB, of course, but sequentially we've done more refinancing through bonds at lower interest rates. There should have been some reduction in interest cost?

Unidentified Company Representative [85]

There is no -- when the -- if you see the bond cost versus the -- whatever this loan rates earlier, there is no significant benefit company has got, other than this bond is payable after five years. So over a period of time this benefit will accrue.

Anubhav Aggarwal, Credit Suisse - Analyst [86]

And Glenn, one clarity if you can give on this update on launches of respiratory drugs in the European market with Celon partnership, have you launched anything or is it -- I'm sorry, you have already guided for some launch in one or two countries by the end of this year. Any update on that partnership?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [87]

I mean, all we can say is, it will probably end up being a FY17 -- I'm sorry FY18 event, right, in terms of launches of the generic Seretide, right, in the European markets.

Anubhav Aggarwal, Credit Suisse - Analyst [88]

And just to get some clarity here that, now when we look at this -- so we can just imagine it to be first half will be like more kind of launches in some countries and real accretion to P&L will start happening from second half. Would that be a right assessment?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [89]

I don't think I can break it up for you at this point. I mean, we are still waiting for the approvals. As and when they come, we will launch in the various countries. There's been some delay there, instead of Q4 it's getting pushed out to FY18. I can't give you specifics in terms of quarters as to when these will get approved.

Operator [90]

Bharat Shetti, Standard Chartered Bank.

Bharat Shetti, Standard Chartered Bank - Analyst [91]

Couple of questions on the debt. First is, when you addressed the senior dollar bonds and the convertible bonds, the expectation was that most of it will be used to refinance the existing debt. But if I see the gross debt number that's not really come down too much. So the refinancing or the repayment of the existing debt has not happened yet. Would that be fair to say?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [92]

So two points. One, as far as the refinancing is concerned, bulk of it has already happened, although we continue to hold some amount of extra cash in the system at this point in time. And since bulk of it was actually refinancing, that doesn't impact the gross debt position, because one debt is replacing the other.

Bharat Shetti, Standard Chartered Bank - Analyst [93]

No, exactly my point. So, I mean the gross debt as of March 2016 was about INR40 billion, now it is INR54.9 billion, so it's a big increase. So just trying to understand, if most of it has been refinanced, why is there a big increase in the debt number?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [94]

Yeah, because while good part of it has been refinanced, at this point in time, we are also holding some amount of extra cash in the system and that's also a function of the current macro environment. And over the next two or three months as the situation improves, we could pay down some more.

Bharat Shetti, Standard Chartered Bank - Analyst [95]

I mean, sorry to probe a bit more, but even from a net debt point of view, as in debt ex-cash, the number is higher from the March number. March number is about INR31.3 billion, whereas now it is INR37.5 billion. So even from a net debt point of view it is an increase of about INR600 crores?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [96]

Yeah. So net debt between March and September went up by about INR550 crore, September to December it's remained flat. So the total net debt at around \$550 million position remains. What we expect is the net debt should come off in Q4, and we should end the year at lower than March 2016 level, that's the expectation.

Bharat Shetti, Standard Chartered Bank - Analyst [97]

One other question on working capital. Now, some number about the net working capital in terms of days was mentioned. But will you be able to give out for the first nine months of this fiscal year what was the net working capital outflow in an absolute rupee terms?

Unidentified Company Representative [98]

So, Bharat, we are saying that we are trending at this 105 days to 110 days and that's where we should kind of be at the year-end. There is a lot of ZETIA component and as a result, we are not breaking it out at this time.

Operator [99]

Abhishek Sharma, IIFL.

Abhishek Sharma, IIFL - Analyst [100]

Sir, just a couple on the innovative pipeline. I wanted to know, so basically the press release says that you are adding a US arm to the Phase 1 German trial -- ongoing trial. So what is the rationale for that? I mean, won't the German Phase 1 trial suffice by itself?

Unidentified Company Representative [101]

So now we are just speeding up the recruitment, right. We finished already almost five cohorts. We've reached a therapeutic range in terms of dosing and now we are just speeding up recruitment, right. And I think between the US sites and the German sites, we should run through Phase 1 pretty quickly. That's what we're trying to achieve.

Abhishek Sharma, IIFL - Analyst [102]

By when do you anticipate you will be able to finish the trial?

Unidentified Company Representative [103]

So, I mean, our goal is clearly in FY18, we should pretty much be through in terms of Phase 1. But I think we will be presenting a -- we will have some presentation. We are targeting some presentation at ASCO on some of the data, the initial data from the clinical trial.

Abhishek Sharma, IIFL - Analyst [104]

Sir, the other question was on 830. The Phase 1 was carried out on healthy volunteers, or was it a mix of patient population as well?

Unidentified Company Representative [105]

Phase 1 was on healthies, but Phase 2 that we are running right now is in atopic dermatitis patients.

Abhishek Sharma, IIFL - Analyst [106]

And the last question, sir, on respiratory programs in EU, what are the countries where you have already filed the program?

Unidentified Company Representative [107]

So we filed in most of the countries that we have, which is rights to I think -- I'm not sure of the exact number, but close to about 13 to 15 countries we've already filed.

Abhishek Sharma, IIFL - Analyst [108]

And any specific reason for the delay, sir?

Unidentified Company Representative [109]

It's the regular questions that are coming back from the agencies which we are responding to.

Abhishek Sharma, IIFL - Analyst [110]

So this is through a centralized procedure?

Unidentified Company Representative [111]

No, this is on a country-by-country basis. It's decentralized.

Operator [112]

Manoj Garg, DSP Merrill Lynch.

Manoj Garg, DSP Merrill Lynch - Analyst [113]

Ganesh, you made a comment that right now you're holding some higher amount of cash, which is amounting to be around \$250 million. So can we just understand, like any specific reason that why such a high amount of cash we are holding at this point of time?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [114]

So, it's on account of couple of factors. One, as I mentioned, some part of refinancing is still to be done and which we would expect to do over the next two to three months. Given the general macroeconomic environment, we did hold back some amount of refinancing and which is why you see some amount of extra cash still held in the system.

Manoj Garg, DSP Merrill Lynch - Analyst [115]

And, Glenn, while I understand that at this point of time it will be more speculative, but just to understand your thoughts on some of the things which Trump is highlighting, particularly on account of border adjustment tax. So just want to get your sense that if it gets implemented or is being applied, how can it impact the Indian generic companies out there?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [116]

Well, I think there is no visibility yet on what specifically Trump is going to do and how it's going to impact Indian companies. So, we're still at a point where we wouldn't comment on that.

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [117]

Yes. I think we're certainly very much aware and tracking everything. But at this point there has only been discussions, there's been no definitive plans put in place. So we'll continue to keep our eyes and ears to the ground and be prepared for anything that comes about.

Manoj Garg, DSP Merrill Lynch - Analyst [118]

And last thing, if you could comment on, what percentage of our US revenue is being impacted by this Medicare or Medicaid D, or like what percentage of revenue is being towards those two schemes, any idea on that? Any number?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [119]

I would say, we don't track specifically Medicare, Medicaid, but in general, it's probably somewhere 10% to 20%.

Operator [120]

Saion Mukherjee, Nomura Securities.

Saion Mukherjee, Nomura Securities - Analyst [121]

Glenn, one question on the derma products, which is likely to be launched over the next couple of years. Now, some of these products require a lot of investments, doing trials on 100-odd patients. How do you see the landscape? I mean, compared to the last couple of years, do you see that intensity has increased and any comments on that would be helpful?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [122]

I mean, the fact that there are more companies filing derm products is a given. We are seeing more and more companies filing products in the derm space. However, as you rightly pointed out, I mean it's a very expensive proposition, the investments are extremely high. So, for a company to actually make a dent in dermatology is going to take a long time. That's what we would anticipate, right. So, so far we are not seeing anything that will derail our projections in terms of derm, especially in FY18 and FY19, we have a number of significant launches in the derm space, which we continue to remain extremely excited about.

Saion Mukherjee, Nomura Securities - Analyst [123]

And my second question is some product-specific question, if you can give some clarity. So first on Vagifem, have you filed that product?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [124]

I mean, we do not comment on any specific product, right, but I don't know, Jason you have --

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP, IR [125]

Yes, I think you are referring to the Investor Presentation. So we are on track to kind of achieve that deadline.

Saion Mukherjee, Nomura Securities - Analyst [126]

And any comment you would like to make on how do you see the competition there, when you get to the market?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [127]

I mean, it's extremely hard to predict, Saion.

Saion Mukherjee, Nomura Securities - Analyst [128]

And Glenn, on Renvela/Renagel, any (inaudible) or any update you would like to give?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [129]

We have absolutely no update, other than it still remains pending by the agency.

Saion Mukherjee, Nomura Securities - Analyst [130]

And just one last question on R&D. So, first on 11% of sale, how would you kind of break it down between, let's say, specialty innovation and plain generics? And secondly, one of your specialty filing, GSP 301, so you said you would be doing two trials. So when do you expect -- so you still believe you would be able to file this product second half of 2019? And if you can give some color on the market potential of this product, specifically?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [131]

Well, currently we are on track to file. As per our Analyst Presentation, we continue to maintain those dates. In terms of potential markets, I think across the specialty portfolio, these are all \$100 million to \$200 million opportunities. That's the way we look at it in terms of potential peak sales. So that's the way we look at most of the specialty products.

Saion Mukherjee, Nomura Securities - Analyst [132]

I mean, I was just wondering, because the timeline, because you'd need to do just Phase 3 study. So it appears to be quite long, the timeline for 2019 filing?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [133]

I mean, look, we have some buffers in there, in case we need to do some additional work. So it could be sooner, if we don't need to do that.

Saion Mukherjee, Nomura Securities - Analyst [134]

And on R&D, Glenn, 11% of sales, how do we split between generics and innovation specialty?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [135]

Well, I think, we've always guided the innovation specialty bit is about -- I mean, sorry, the generic and specialty piece is around 60% of total spends, right, and innovation is about 40%, somewhere thereabouts.

Saion Mukherjee, Nomura Securities - Analyst [136]

And increasingly within this generic specialty, the proportion of specialty would be going up.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [137]

Yeah. The fact remains as we have been investing in specialty probably for the last few years, which we never disclosed earlier, before the Analyst Meet, and now it's pretty evident in terms of what we've been spending in R&D over the last few years, and where the money has actually been going. So the specialty spends, I feel, will remain pretty consistent as we go forward, because this is expenditures which we have been incurring consistently.

Operator [138]

Kartik Mehta, Deutsche Bank.

Kartik Mehta, Deutsche Bank - Analyst [139]

So just trying to understand how do you expect competition to be after the exclusivity for ZETIA is over? And on the India business, secondary sales have been higher, we've recorded lower sales. Is there any particular segment where there is -- where you want to have lower-than-expected inventory with the distributors, or is there something you can help us with, if it would be in line with secondary sales as we go ahead?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [140]

So, I mean, on ZETIA, I mean clearly post the 180-day exclusivity, it's going to be a very competitive space. There're going to be several players. We don't know exactly how many, but it will definitely commoditize. That's our internal view as of now.

On secondary sales for India, I mean, look, it's just a quarterly mismatch. I wouldn't read too much into it, but the general -- I mean this quarter, Q3 and Q4, it's pretty clear that India sales we anticipate will get impacted because of the whole demonetization effect. So full-year India growths will be lower than what we would have anticipated. We hope next year it'll come back strongly. So while we continue to outperform the market, if you see even in the last month IMS, we were among the fastest-growing companies. I think we were [the second-fastest]. So that remains a consistent trend and we will continue to trend that way for quite some time, because of the pipeline and the number of launches and the quality of work we're doing in India.

That being said, the overall market is getting impacted. We have seen it in Q3 and we anticipate Q4 also you should see the impact continuing to some extent, in terms of slower growth numbers.

Kartik Mehta, Deutsche Bank - Analyst [141]

And if I have to ask you for the CapEx allocation that you would have, say, for 2018 and for 2019, would you put in something to set up a plant outside India, preferably in the US, in

line with what has been the [governments] which have been made by the new US administration? Thanks.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [142]

So we from a CapEx perspective, we guide to INR600 crores, INR700 crores of CapEx, that includes our US facility. So we invested a significant amount of CapEx in Monroe over the last few years in the US. So there has been significant investments and we continue to invest in that facility virtually every year.

So I think from our perspective we think the INR600 crore, INR700 crore CapEx that we've anticipated is enough to include all the investments that we're making overseas in terms of our manufacturing plants.

Kartik Mehta, Deutsche Bank - Analyst [143]

And as part of risk mitigation, do you believe that certain important products may be filed from the US site more, I mean, assuming that some of the manufacturing-related, let's say, laws change in the US?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [144]

Well, as a company, we have been derisking, we've been filing alternate sites on virtually on a number of our products and this is not something new we are planning to do. So it's a part of our regular business, in terms of risk mitigation and both from a supply perspective, from a political perspective, from an agency perspective. So we keep doing that. That's just part of our regular business. So, yes, I mean we are not expanding it or increasing it. It's just something we do, not just at Monroe, but even at various CMOs, various third-party sites in the US, so we keep doing that.

Kartik Mehta, Deutsche Bank - Analyst [145]

One last question, if I may. You have never acquired any assets, unlike your Indian peers in the US. Would you believe that with some large companies now in the mood to sell some of

the assets, is there anything on your radar? I would not want you to go into any of the specifics, but would you believe it would be required to aide your overall specialty outreach in the US business? Thank you, Glenn.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [146]

I mean, look, M&A has never been a big part of our strategy at Glenmark. So we've continued to remain focused on building the business organically. And if you look at our organic build-out and if you go back to our Analyst Presentation, we still continue to believe that at a CAGR level, right, over a three to five-year period, we will grow the business 15% to 20% CAGR. So we still maintain that. However, from an M&A perspective, if there are some bolt-on acquisitions which can further assist the business, in terms of achieving our strategic plan, both on the generic side, as well as the specialty side, we will be open to doing that. But we are not looking at significant investments at this point.

I mean, near-term, we are very focused on making sure that we de-lever the balance sheet and by Q4, the net debt should come off quite significantly and then next year also with some of the ZETIA cash coming into next year, we anticipate to further de-lever the balance sheet. So that's the most near-term focus for the Company. And then besides that, the other focus is to continue to progress the R&D pipeline as quickly and as aggressively as possible.

So, both, some of the specialty products and some of the complex generics, some of the products that we've in-licensed, so all this should impact positively. Starting FY18, FY19 and beyond, you should see a significant impact coming out of the complex generics, the specialty products and some of the rest of the portfolio. So I think, all in all, the business looks pretty solid and we continue to drive -- stay focused, drive on this agenda.

Operator [147]

Girish Bakhru, HSBC.

Girish Bakhru, HSBC - Analyst [148]

Couple of clarifications. First, did you say that other expense includes the profit share for Endo in the quarter?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [149]

No.

Girish Bakhru, HSBC - Analyst [150]

But would that be -- the way when you account for the partnership, would there be any profit share that would come in your P&L?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [151]

It will flow through the topline.

Girish Bakhru, HSBC - Analyst [152]

And on just Mupirocin, any visibility on competition coming in the cream, given that you have been doing pretty well there for many years now?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [153]

We have no visibility, in fact on --

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [154]

Yes. I mean, at this point we don't have any visibility, but eventually we realized we're going to get competition.

Girish Bakhru, HSBC - Analyst [155]

And just on VYTORIN, that product is expected probably in April, right, and how would that competitive landscape be?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [156]

So, I mean, we know for VYTORIN there are several filers and it'll be a competitive space. However, we don't see VYTORIN impacting our generic ZETIA, because they are clearly used for two different indications and two different uses. So we don't anticipate that being the case.

Operator [157]

Surya Patra, PhillipCapital.

Surya Patra, PhillipCapital - Analyst [158]

Just one clarification about the ZETIA again. So, whether the profit share portion would be coming in with a lag and that would be important again?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [159]

Sorry, can you repeat your question?

Surya Patra, PhillipCapital - Analyst [160]

The profit share element in ZETIA, whether that is a significant amount and which can come with a lag?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [161]

No, it will come as the sales occur.

Surya Patra, PhillipCapital - Analyst [162]

So that means this quarter number already factors the profit share element. Okay. And so, now on the base business, though we are not guiding anything, but considering the pricing scenario there in US and the outlook, so what is the outlook that you are having for the base business going ahead ex-ZETIA portion?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [163]

So, we continue to guide to 10% price erosion on the base business.

Surya Patra, PhillipCapital - Analyst [164]

So, then, despite that we can have something like double-digits kind of a growth ex-ZETIA?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [165]

So I think, look, we are not providing any breakup in terms of how the base business in the US breaks up between ZETIA and base business. However, obviously, the environment is - there is a significant amount of pricing pressure that we are witnessing in the base business, like all the other generic companies in the US. So that remains pretty consistent.

Surya Patra, PhillipCapital - Analyst [166]

And on the NCE portfolio front, any outlook that we are having about the licensing income, any trend that we are witnessing at least on that front annually?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [167]

So there is a lot of interest in terms of our portfolio of NMEs, and I think -- I mean, we've maintained that over the next 12 to 18 months, you should see some licensing activities in terms of our portfolio.

Surya Patra, PhillipCapital - Analyst [168]

And just one more question, whether the Benicar opportunity that you consider [a kind of] meaningful opportunity in the near-term?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [169]

So, Benicar also we expect competition to be there.

Operator [170]

Ranvir Singh, Systematix Shares.

Ranvir Singh, Systematix Shares - Analyst [171]

Just a clarification on ZETIA. So our exclusivity is 180 days. Would we be able to extend our exclusivity up to 180 days, or it will expire along with patent expiry?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [172]

So, look, as per Wax-Hatchman, it's very clear that the exclusivity is 180 days.

Ranvir Singh, Systematix Shares - Analyst [173]

So ideally, even if the patent expires, nobody will enter unless our exclusivity terminates and that's what the meaning?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [174]

That's as per Wax-Hatchman, correct.

Ranvir Singh, Systematix Shares - Analyst [175]

And in the first month of launch, I see -- this is some of the inventory -- the major part of the inventory has already been sold or how is this, because this looks on a higher side than we anticipated. So how is the thing; we should take it as a run rate or how is it?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [176]

I think with any launch, you're going to have an initial inventory build. But like I had mentioned earlier, the share, the weekly (inaudible) the latest data is that we have 56% prescription share right now.

Ranvir Singh, Systematix Shares - Analyst [177]

And after this patent expiry, how the competition you anticipate coming in ZETIA, rough direction please?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [178]

We anticipate the market to be commoditized, but we don't have complete visibility to how many competitors are going to be there at day 181.

Ranvir Singh, Systematix Shares - Analyst [179]

And in this quarter, the API business has also been very strong. So this was just a quarter-wise phenomena, or run rate is likely to continue?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [180]

I think, API, full year we'll grow at 20% plus. So, let's see how it plays out in Q4. But, I think, overall, you should anticipate that we had guided to a 15%, 20% growth, it's clearly (technical difficulty).

Ranvir Singh, Systematix Shares - Analyst [181]

In API, what I wanted to understand, in terms of EBITDA margin, this is in line with the Company's base business EBITDA margin, or this is higher or lower, if you could give some more highlight on it?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [182]

It's in line with Company's EBITDA margin.

Operator [183]

Deep Master, ENAM Holdings.

Deep Master, ENAM Holdings - Analyst [184]

Hi, congratulations on the good set of numbers. Sorry to reconfirm some of the statements that were made previously on. So, all of the ZETIA cash flows will go towards paying down debt. Are you still sticking to that?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [185]

Absolutely.

Deep Master, ENAM Holdings - Analyst [186]

And just on FY18 and the US, we previously said that after the run-off of ZETIA revenues US, total revenues in the US will not come off significantly. So, do you still have visibility on that?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [187]

Sorry, say that again?

Deep Master, ENAM Holdings - Analyst [188]

So you've previously stated that after ZETIA -- after the six-month period of ZETIA, for the whole of FY18, the US revenues will not come off significantly. So do you still have visibility on that?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [189]

I mean, we still believe that FY18 will -- there will be some growth in FY18 over FY17 for the overall US business, including ZETIA.

Robert Matsuk, Glenmark Pharmaceuticals Limited - President, North America and API [190]

You are right. So ZETIA is going to spread across two fiscal years.

Deep Master, ENAM Holdings - Analyst [191]

So that's very encouraging. So you're still quite hopeful on the complex launches for next year on an aggregate, not molecule-by-molecule, but if I put them together, you still sort of stick to your views?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [192]

Sure.

Operator [193]

Harsh Agarwal, Deutsche Bank, Singapore.

Harsh Agarwal, Deutsche Bank - Analyst [194]

Hi, I just have a couple of quick housekeeping questions. One was do you -- or can you share the number of -- the amount for your operating cash flow in the quarter, how much was it?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & MD [195]

Harsh, can you just repeat that?

Harsh Agarwal, Deutsche Bank - Analyst [196]

Now, can you share what was the operating cash flow number for the third quarter?

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [197]

Yes, ballpark in the range of about INR500 crore.

Harsh Agarwal, Deutsche Bank - Analyst [198]

And the second thing is, just very quickly, looking at your cost breakdown, right, on a quarter-on-quarter, I understand the margin increase and the revenue increase was driven by ZETIA mainly. But your expenses, specifically your cost of raw materials and your employee expenses have also come down quite dramatically on a Q-on-Q basis. I'm just curious what's driving the decline in raw material cost and more importantly, the employee cost.

P. Ganesh, Glenmark Pharmaceuticals Limited - President & CFO [199]

Yes. As far as raw material cost is concerned, the current quarter is also influenced by the ZETIA sales. So it's not comparable in that sense with core business. As far as employee cost is concerned, we had a one-time variable cost in Q2. So that's the reason that part is normalized.

Operator [200]

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Jason D'Souza for closing comments.

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP, IR [201]

Thanks, Margaret. We'll just read the disclaimer before we close the call. This call was organized by Glenmark Pharmaceuticals Limited. The information statement and analysis made in this document and during the call describing the company's objectives, projections and estimates are forward-looking statements and progressive within the meanings of applicable security laws and regulations.

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With this, we end Glenmark's Q3 call. Thanks everyone.

Operator [202]

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