

Q1 2017 Glenmark Pharmaceuticals Ltd Earnings Call

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Corporate Participants

* Jason D'Souza

Glenmark Pharmaceuticals Limited - VP & Head - Corporate Strategy & IR

* Bob Matsuk

Glenmark Pharmaceuticals Limited - President, API & North America

* Rajesh Desai

Glenmark Pharmaceuticals Limited - Executive Director & CFO

* Glenn Saldanha

Glenmark Pharmaceuticals Limited - Chairman & Managing Director

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Conference Call Participants

* Prakash Agarwal

Axis Capital - Analyst

* Neha Manpuria

JPMorgan - Analyst

* Anubhav Aggarwal

Credit Suisse - Analyst

* Surjit Bhalla

Prabhudas Lilladher - Analyst

* Nitin Agarwal

IDFC Securities - Analyst

* Ashish Rathi

Infina Finance - Analyst

* Deep Master

ENAM Holdings - Analyst

* Sameer Baisiwala

Morgan Stanley - Analyst

* Alok Dalal

CLSA - Analyst

* Abhishek Bhandari

Macquarie - Analyst

Operator [1]

Ladies and gentlemen, good day and welcome to the Glenmark Pharmaceuticals Limited Q1 FY17 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 & Head - Corporate Strategy & IR [2]

Thanks, Inbha. Welcome to Glenmark's Q1 earnings call. We'll start with a review of the operations. For the first quarter ended June 30 2016, Glenmark's revenue was INR19,430 million, recording an increase of 17.92%. India, the sales of the formulation business in India for the first quarter was at INR5,137.66 million, recording growth of 10.39%. As per IMS June 2016, Glenmark maintained its rank at 17, as compared to MAT June 2015, with increase in market share by 0.10% exhibiting value growth of 18% vis-a-vis IPM growth of 12%. The India business strengthened itself across therapeutic areas, namely the Cardiac segment, the Respiratory segment, and the Derma segment. During the quarter Glenmark launched Digihaler, India's first Digital Dose Inhaler, pan India. Digihaler is the next-gen inhaler which provides accurate digital dose counters along with low dose warning indicators to enable asthma and chronic or COPD patients track adherence to their therapy. Digihaler addresses the issue of pseudo-adherence and tail-off phenomenon, which leads to poor outcome of the therapy.

US Formulations, Glenmark USA registered revenue from the sale of finished dose formulations was at INR6,981 million, recording an increase of 24.44%. In the first quarter of the fiscal year, Glenmark was granted five approvals which is two final approvals and three tentative approvals. During the quarter, Glenmark filed four AND applications with the US FDA. In the next quarter Glenmark intends to file five AND applications with the FDA.

Africa, Asia and CIS region for the first quarter, revenue from this region was at INR1,949 million, recording an increase of 23.35%. In the first quarter of the financial year, Glenmark's Russia secondary sales growth was at 59% vis-a-vis the same period last year. For the first quarter of FY2017 the average depreciation of the ruble was 20% compared to the corresponding quarter. For this quarter, the constant currency growth for the Russia business was in excess of 50%.

As per IMS MAT 2016, in the Dermatology segment Glenmark grew by 35.5%. One of the reasons for the good growth has been the launch of Oflomil nail lacquer, which has gained good traction across the country. The launch of Momat Rino Advance nasal spray which was launched recently continues to gain good momentum across the country and has

helped us further strengthen our presence in the respiratory area. The Asia business recorded secondary sales growth of 16% during the quarter, the subsidiaries of Malaysia, Philippines and Vietnam recorded secondary sales growth of 38%, 15% and 56% respectively. The Africa business also performed well during the quarter.

Europe Formulations, Glenmark Europe operations revenue was at INR1,499.53 million, recording growth of 36.50%. The UK business rebounded growing strongly in excess of 100% during the quarter. The German subsidiary recorded a good performance, and won several tenders during the quarter. The consistent good performance of the German subsidiary has enabled it to rank among the Top 15 generic companies in the country. Glenmark has launched several new products in the region. The growth for the European region has been primarily driven by the Western Europe business.

Latin America, Glenmark's revenue from its Latin America business was at INR1,556 million, recording a decrease of 28.77%. During the quarter, Venezuela subsidiary sales dropped significantly as compared to the previous corresponding quarter. The Brazil and Mexico subsidiary also did not perform as per expectations. We expect LatAm business ex-Venezuela to pick up in the remaining part of the year.

API, revenue of API in regulated and semi-regulated markets was at INR1,912 million, recording an increase of 41.71%. Glenmark filed two US DMS during the quarter. The good growth was contributed by the sale of Teneligliptin, domestic market and Olmesartan, the US market.

R&D, GRC 17536, a TRPA1 antagonist has proven highly efficacious in treating inflammatory and neuropathic pain in animal models. GRC 17536 has shown positive data in a Phase 2a proof of concept study in patients with painful diabetic neuropathy including Europe and India. Phase 2 enabling toxicology studies have been completed and 17536 has shown good safety profile supporting further development.

Glenmark has submitted an IND for a Phase 2b dose range finding study. The agency has requested additional information with some changes in the clinical protocol. Glenmark's NCE 27864, a potent, selective, and orally bioavailable [inhibitor of the mPGES-1], a novel therapeutic target in pain management, which is up-regulated under inflammatory conditions. Glenmark has successfully completed preclinical studies and the Phase I enabling toxicity studies for GRC 27864. A Phase 1 first-in-human single ascending dose

and multiple ascending dose study has been completed in the UK with no safety concerns.

Vatelizumab, GBR 500, a monoclonal antibody, is an antagonist to the VLA-2 integrin. GBR 500 had been licensed to Sanofi for testing of multiple sclerosis in the Phase II clinical studies. Sanofi has made the decision not to pursue Vatelizumab. The decision is not due to safety concerns. Glenmark will continue to pursue the relicensing of GBR 500 after it is returned from Sanofi. The termination of the contract has become effective in Q1 FY17 and Glenmark is now free to pursue the relicensing of GBR 500.

GBR 900 licensed the exclusive -- Glenmark licensed the exclusive intellectual property rights for the monoclonal antibodies against the neuronal growth factor TrkA from Lay Line Genomics, Italy. TrkA is part of the NGF-TrkA axis, a validated and novel pain receptor for treatment of chronic pain. Phase I enabling toxicity studies for GBR 900 have been completed. A Phase I clinical trial has been initiated in the UK. GBR 900 is a first anti-TrkA monoclonal antibody to enter clinical development.

GBR 830, the first anti-OX40 monoclonal antibody, was discovered at Glenmark's Research Center in Switzerland. The development of OX40 antagonist has been challenging and Glenmark has achieved a significant milestone with the successful generation of an antagonist OX40 monoclonal antibody coupled with generation of data validating the role of OX40 in autoimmune diseases.

[GBR 830] has completed a clinical Phase 1 study in -- dosing successfully in The Netherlands. GBR 830 was well tolerated and its safety and pharmacokinetic profile in healthy volunteers fully support the transition into the clinical Phase 2 studies. Glenmark has an open IND at the US FDA and Health Canada approval under which our Phase 2 study in atopic dermatitis is currently ongoing.

GBR 1302, a HER2xCD3 bispecific antibody, is the first clinical candidate based on Glenmark's proprietary best-in-class BEAT platform and also GBR 1302 is Glenmark's first clinical candidate targeting oncology indications. The BEAT antibody technology platform facilitates the efficient development and manufacturing of antibodies with dual specificities called bispecific antibodies.

GBR 1302, antibody has successfully completed the preclinical evaluation phase. In pre-clinics, GBR 1302 has demonstrated superiority over current antibody therapies against most HER2 positive cancers. Dosing of patients has been successfully initiated and the

antibody has been well tolerated. If confirmed in clinical trials, GBR 1302 could constitute an innovative treatment for HER2 positive cancers.

GBR 1342, a CD38xCD3 bispecific antibody based on Glenmark's proprietary BEAT platform. GBR 1342 is the second clinical development candidate based on the BEAT technology. It is also Glenmark's second clinical candidate targeting oncology indications. GBR 1342 targets CD38, a target for multiple myeloma and potential other malignancies of hematopoietic origin. Glenmark has initiated IND enabling studies for GBR 1342 and is committed to moving GBR 1342 rapidly into clinical trials.

Before I introduce the management on the call, I would just like to state out a few numbers down there. Gross debt for the Company, as on June 30 is INR4,268 crores. Cash is INR895 crores. Net debt is INR3,373 crores. MTM impact on loans is INR86 crores. ForEx gain recorded in other income is INR70 crores. Inventory is at INR1,725 crores, receivables at INR2,590 crores and payables at INR1,950 crores.

Asset addition during the first quarter was at INR180 crores. R&D expenditure is at INR198 crores, which is at 10.19% to sales vis-a-vis INR170 crores in the Q1 of the previous year. Other revenue reported, which is INR39 crores pertains to export incentives.

With that, I would like to introduce Glenmark's management on the call. We have with us Mr. Glenn Saldanha, Chairman and Managing Director, Glenmark Pharmaceuticals Limited; Mr. Rajesh Desai, Executive Director of Finance and IT; we have Mr. P. Ganesh who is President and Chief Financial Officer, Glenmark Pharmaceuticals.

With that, we can open the floor for questions. Over to you, Inbha. Sorry. We also have on call, Bob Matsuk, President, Global America -- President, America.

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Questions and Answers

Operator [1]

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Prakash Agarwal, Axis Capital.

Prakash Agarwal, Axis Capital - Analyst [2]

Yes. Hi, thanks for the opportunity. First question is on the US business. Now we saw some 10 approvals in Q4 and we got couple of approvals. So how many products have been launched and this 18% growth that we're seeing in dollar terms, do we see this accelerating in the base business?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [3]

Yes. We saw strong volume on the base business and like you mentioned, the new approvals really helped to increase our topline as well.

Prakash Agarwal, Axis Capital - Analyst [4]

Yes. But do we expect -- I mean, all of these products have been launched now and do we expect this run rate to improve in terms of growth?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [5]

We continue to project 15% to 20% growth topline.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [6]

So, Prakash, Q2 we anticipate it will be even better than Q1, right, on account of Crestor and generic Crestor and some of the other launches that we've recently seen. We anticipate a stronger second quarter than even Q1. So I think the US business continues to do exceedingly well for us.

Prakash Agarwal, Axis Capital - Analyst [7]

Okay. And could you give some color on the Mupirocin opportunity? Does the low competition benefit still helps us?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [8]

Yes, we're still seeing, it's still doing well.

Prakash Agarwal, Axis Capital - Analyst [9]

Okay. And building on the Crestor, as you rightly said, is already there for this Q2. How is the competitive landscape there? And what kind of pricing erosion you have seen?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [10]

Well, 180 days, you know, everybody launches at the same time, so there is six, seven players, but I mean, for now, we launched a significant discount, obviously, to the brand, but pricing right now stable.

Prakash Agarwal, Axis Capital - Analyst [11]

So could we assumed that six, seven players about 90% kind of price erosion is a fair thing to look at?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [12]

Yes, that's fair.

Unidentified Company Representative [13]

The price erosion is significant.

Prakash Agarwal, Axis Capital - Analyst [14]

Okay, thanks. And my second question is on the recent \$170 million, the bond that we raised. How should we look at in terms of interest cost and --?

Unidentified Company Representative [15]

I mean, I think interest cost has really come down, right, on account of the 2% coupon, as far as the convertible goes. But I think it will reflect from maybe Q2 or Q3 onwards, right.

Prakash Agarwal, Axis Capital - Analyst [16]

And this largely replaces our old loan, right?

Unidentified Company Representative [17]

Yes.

Unidentified Company Representative [18]

That's right.

Prakash Agarwal, Axis Capital - Analyst [19]

Okay. And lastly on the Europe business, how far we are in terms of launching our inhaler portfolio?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [20]

So our perspective is the first set of launches should happen (technical difficulty) closer to the end of (technical difficulty) mainly in the Nordic countries, right. As far as the Celon product goes and I think the balance will all come in next year.

Prakash Agarwal, Axis Capital - Analyst [21]

Okay. And these, if you could just highlight broad level market opportunity.

Unidentified Company Representative [22]

Prakash, we'll take this as last question. We have a long queue.

Prakash Agarwal, Axis Capital - Analyst [23]

Sure.

Unidentified Company Representative [24]

The market opportunity look itself \$700 million, \$800 million market, in our markets, all put together. So it could be pretty significant for us in the years to come. I mean this year, we don't anticipate a significant sales, but I think starting next year, you could see some significant sales on account of the Celon product.

Prakash Agarwal, Axis Capital - Analyst [25]

Sure. Thanks. I'll be in the queue.

Operator [26]

Neha Manpuria, JPMorgan.

Neha Manpuria, JPMorgan - Analyst [27]

Thank you for taking my questions. Sir, first on the US business, while I understand that you mentioned volume has been good. Could you give us some color on pricing, particularly on the derma portfolio that we have?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [28]

So, I mean the derm portfolio -- Bob, go ahead.

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [29]

Yes, I mean, just overall, we are seeing price erosion in the neighborhood of -- a little bit above 10%. It's picked up a bit. But, Glen, I don't know, if you want to comment specifically on Derm?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [30]

I think derm has been relatively stable, much more stable than some of the (technical difficulty).

Neha Manpuria, JPMorgan - Analyst [31]

Okay. Okay, good. And second on our LatAm business, I understand that Venezuela has declined. How much of Venezuela still exist in the LatAm business? And should we see this declining further from here or it will probably remain at this level and what is the amount that is spending to be repatriated?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [32]

I mean, look, Venezuela for us at the EBITDA level has zero contribution --

Unidentified Company Representative [33]

For the year.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [34]

To the EBITDA. So whatever sales are there is very small and that's mainly to cover whatever existing expenses in the Venezuelan geography.

Neha Manpuria, JPMorgan - Analyst [35]

And what's the amount that is pending -- were we able to repatriate anything in the quarter?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [36]

No, we've not got any flows from Venezuela.

Neha Manpuria, JPMorgan - Analyst [37]

Okay. And my last question is on the Europe business. I understand that we've launched some products incrementally but and there is seasonality associated with the business, but it is a strong year-on-year growth. So when we look at growth for the Europe business, how should we -- is the 30%, 40% number sustainable -- growth number sustainable or is there a one-off component in this quarter relate to some tenders et cetera?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [38]

So clearly this number is not sustainable for Europe. I mean, on a full year basis, this year we think Europe will finish anywhere from closer to maybe 15%. I mean, that's what we anticipate. So there is -- I think, going forward we don't see this sustaining very clearly.

Neha Manpuria, JPMorgan - Analyst [39]

And what led to the lumpiness in this quarter, Sir? Was it related to some tenders et cetera?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [40]

That's correct.

Operator [41]

(Operator Instructions) Ashish Rathi, Infina Finance.

Ashish Rathi, Infina Finance - Analyst [42]

Yes. Thanks. Question in particular to the balance sheet. Sir, we have around like foreign currency translation reserve sitting on the balance sheet, which is a sizable figure and it has been built over the years in the balance sheet. The amount, I guess, in March reported numbers are on negative INR1,143 crores. Could you help us understand what this amount has created on account of?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [43]

So I think Ashish, we've said over the last several years, there have been three areas which we have been hit significantly. One is, if you look at emerging market currencies, they have depreciated significantly, this business was close to about 35% three years back. This business now is down 22%. Now it is -- next year it will be down to 17%.

Second is that the US dollar business did not increase over the last three years. And the third, clearly, is that there's been dollar debt on our balance sheet for the last several years and the rupee has also depreciated significantly. All these three has primarily resulted in the creation of the FCTR. However, you should note that in this year, the FCTR has begun to turn positive. And over the next three years, if the US dollar business will do the way we are expected, we expect a lot of it to get -- turned back and reversed. And you are already seeing the impact of it in the first quarter itself.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [44]

And also just to add, while LatAm business has becomes a relatively smaller, some of the LatAm currencies have also started bouncing back.

Unidentified Company Representative [45]

And alone, it will take the loan debt number, actually, it will take three years back, 2014, 2015 US INR rate was \$54 and now it is, this last March 2016 \$67. So alone currency, this impact was INR650 crores out of that. That is what the substantial, is contributed to the FCTR.

Ashish Rathi, Infina Finance - Analyst [46]

Right. So in that case, we would also be having assets which would be benefiting again the depreciation right?

Unidentified Company Representative [47]

So Switzerland is, as we are accounting and our functional currency is USD. So whatever, FCTR is sitting in the -- it is getting down from the results. So while converting the -- translating the Swiss accounts into consolidated accounts. It is given under the - it will study our [212 segment] published in the annual report. So the past three annual reports will give you these numbers.

Ashish Rathi, Infina Finance - Analyst [48]

So ideally, the emerging markets, what we have in terms of receivables, there we are getting ahead is what you are highlighting, right?

Unidentified Company Representative [49]

I said, all three, --

Ashish Rathi, Infina Finance - Analyst [50]

(multiple speakers) is that the hit because of receivables in the emerging markets or what is it the hit for? The receivable is getting translated into foreign currency losses, what we are taking into the results?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [51]

See, what is happening, the local currencies are showing deterioration against the USD. And then when it is getting converted in rupees, it is -- this double impact is coming. So that is what one of the factor also in this.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [52]

It's basically the translation impact.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [53]

Yes.

Ashish Rathi, Infina Finance - Analyst [54]

Okay. The only point is, it -- should it be not taken to the P&L, is it not more a prudent way to do it?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [55]

No, it is not this -- under IFRS, it will get accounted as FCTR only.

Ashish Rathi, Infina Finance - Analyst [56]

I'm talking about the previous year's (inaudible).

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [57]

What is the question, Ashish? Let's stick to the question.

Ashish Rathi, Infina Finance - Analyst [58]

Yes. Next question I'll come to and I'll clarify this later after the call end. Second is on the intangibles, I think you know, Glen, you have been indicating that the intangibles are supposed to come off and they will be -- I guess that would increase the amortization run rate also significantly like two years back. But if I look at again the last two years, the intangibles are actually not come off, in fact they have increased. So what is the path forward for how do we look at the intangibles number on the balance sheet going ahead? And also in terms of Europe, I guess the reason you said it will come down is because you will see less of in-licensing molecules for the US -- for the Europe businesses which is primary contribution to the intangibles creation. But I still see a lot of in-licensing news on the European front?

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

I think the intangible base we have always said that look, the European business has been built on in-licensing. Always guided towards in-licensing of products. We continue to

in-license products. Last year we in-licensed Celon's product for the European market where we will see the revenues come in this year. There is no other way of treating this, right. So I don't know where this is coming from, but the fact of the matter remains intangible block is building because we are doing in-licensing and we are acquiring intellectual property. On the back of that, you are seeing the intangibles increase. So, as far as amortization goes, I think we have already accelerated amortization. We've taken -- we've already done that.

Ashish Rathi, Infina Finance - Analyst [60]

Glenn, please correct me if I'm wrong. Earlier you had said that we would see more of our own product launches in Europe than in-licensing, because we are initially building the business, so we had in-licensed a lot of molecules, which had led to creation of the intangibles. And going ahead we were going to see our own launches. Is that not happening?

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

No, it's not, because our R&D resources are primarily focused on the US market and that's where we think the payback on the US market is much greater than Europe. So strategically, we feel at this point, it's better to focus on the US market.

Unidentified Company Representative [62]

And Ashish, you're aware of the regulatory framework in Europe where you can license a product, acquire a product, dose here from one country to another country which possibly cannot happen in any other part of the world.

Unidentified Company Representative [63]

I think we should move on.

Unidentified Company Representative [64]

We will take the next question.

Unidentified Company Representative [65]

Maybe you can come back in the queue.

Operator [66]

Deep Master, ENAM Holdings.

Deep Master, ENAM Holdings - Analyst [67]

I just wanted to ask you on the employee cost. There's been a rise year-on-year for about 30%. So, could you just share some more light on that?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [68]

The employee cost increases primarily on account of -- we are right now in this mode of, so there are a number of resources we've added on the R&D side to help us move up the value chain. So, it's primarily on account of the employees who've been added to the Company on the R&D side.

Deep Master, ENAM Holdings - Analyst [69]

Got it. So this number will sustain going forward? There is no one-off in the employee cost?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [70]

No.

Deep Master, ENAM Holdings - Analyst [71]

Okay. And secondly in the US market, so Perrigo recently made some comments on pricing erosion and pressures in derm -- on the derm side. See, you are not seeing any such pressures?

Unidentified Company Representative [72]

Look, pricing erosion is everywhere, right. That's just the reality. It's much on less on the derm compared to the oral solids.

Deep Master, ENAM Holdings - Analyst [73]

Right. And many companies have been able to see volume gains despite price erosion, so is that a trend you're seeing in any part of your portfolio in the US?

Unidentified Company Representative [74]

Yes. So we primarily, Bob, feel free to jump in.

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [75]

Yes.

Unidentified Company Representative [76]

Go ahead.

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [77]

I mean, I think in general, we're seeing strong demand. I mean, both on the oral solids as well as the derm products.

Deep Master, ENAM Holdings - Analyst [78]

Okay. Alright. I can take it up later. Thank you.

Operator [79]

Sameer Baisiwala, Morgan Stanley.

Sameer Baisiwala, Morgan Stanley - Analyst [80]

Jason, unless I heard you incorrect, you said the net debt was INR33.7 billion. Was it?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [81]

Correct INR3,373 crores.

Sameer Baisiwala, Morgan Stanley - Analyst [82]

And versus INR31 billion which was March ending.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [83]

Correct. Yes.

Sameer Baisiwala, Morgan Stanley - Analyst [84]

Okay. And the FCCB amount did you not get in this quarter and is this accounted for?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [85]

FCCB amount we recurred on 29 June and it remains in the cash, so which is not -- we are not considering yet.

Sameer Baisiwala, Morgan Stanley - Analyst [86]

Sorry. So should your net debt be not adjusted for this \$170 million, \$200 million.

Unidentified Company Representative [87]

In this number, the INR170 million of FCCB is not taken.

Unidentified Company Representative [88]

Is not taken (multiple speakers).

Unidentified Company Representative [89]

It's not considered at all.

Sameer Baisiwala, Morgan Stanley - Analyst [90]

And why should you not consider it?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [91]

Because the transaction formally closed at the -- kind of at the end at June 30, a little bit prior going into the first week of July. So as a result the entire impact of the FCCB transaction will be seen on the September 30 result.

Unidentified Company Representative [92]

And in any case it doesn't affect the net debt because it was received on 29th and held in cash.

Sameer Baisiwala, Morgan Stanley - Analyst [93]

Okay. But I think it should impact your net debt know?

Unidentified Company Representative [94]

It will not, net debt will not get impacted because debt -- and if you are in -- cash is there. So we have not utilized cash.

Sameer Baisiwala, Morgan Stanley - Analyst [95]

No, your net debt is gross debt minus cash.

Unidentified Company Representative [96]

Correct.

Sameer Baisiwala, Morgan Stanley - Analyst [97]

And if you consider this \$170 million and net debt should come down?

Unidentified Company Representative [98]

No, if you consider this, your gross debt goes up and your cash also goes up. Net debt remains the same.

Sameer Baisiwala, Morgan Stanley - Analyst [99]

Oh, I see. Yes. It's only on conversion. Will it be taken off?

Unidentified Company Representative [100]

Correct, correct.

Sameer Baisiwala, Morgan Stanley - Analyst [101]

Okay. Got it. My mistake. Okay. And the second is on Crestor, Glenn, my understanding is that prices fallen something like 97%. So it has become a very small market. Do you still think it's interesting enough to bump up your Q2 and my guess is probably Glenmark, which was driving the prices down?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [102]

So Sameer, you don't expect me to comment on your last point, right. That it was asked driving the prices down because every competitor will say the same thing to you, right. As

far as the market is concerned, obviously, it's extremely genericized. There's no question about it, but we've got some good market share on Crestor, which is playing out in Q2, but again Crestor is just one among the many products that we got approval on. And we got potassium chloride, we got T ointment, we got T cream and we anticipate some more approvals coming through in the second quarter. So we feel pretty good about this quarter.

Sameer Baisiwala, Morgan Stanley - Analyst [103]

Okay. And on potassium chloride, specifically, have you launched it or is it going to take time for you to get in the market?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [104]

So on potassium chloride, we are launching it in second quarter, but the real ramp up, it will take us some time to build capacities to get to the optimal level.

Sameer Baisiwala, Morgan Stanley - Analyst [105]

Okay.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [106]

So initially, the market shares will be small, but over time, we will get to a certain -- once the capacities are ready, that's when we will have the appropriate market share.

Sameer Baisiwala, Morgan Stanley - Analyst [107]

Okay. And that's how many months away?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [108]

I guess it's around six to nine months away.

Sameer Baisiwala, Morgan Stanley - Analyst [109]

Okay. Yes. That's all from my side. Thanks.

Operator [110]

(Operator Instructions) Anubhav Aggarwal, Credit Suisse.

Anubhav Aggarwal, Credit Suisse - Analyst [111]

Glenn, one question on the US sales. We've shown an impressive increase even versus the March quarter. So we are almost up 8% in the US. Just one question that if you were to just very broadly, separate into the contribution from the new products versus the higher volume on market share gains in the base product, which would have been the predominant driver of this increase?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[112]

Bob, do you have any idea?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [113]

Yes.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[114]

Go ahead.

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [115]

Yes. I think, it's obviously a mix of both and it all depends how far you want to go back in terms of new product approvals. But at any given time, I think somewhere in the range of like 20%, would be new product approvals. And then the remaining balance would be just

internal demand of our base business volume growth. Obviously, knocked down a bit because of price erosion.

Anubhav Aggarwal, Credit Suisse - Analyst [116]

But, Bob, I'm talking more like sequentially because that much growth sequentially in the base business will only come with price erosion?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [117]

Yes, we can sell new products back for a year or so in that time frame. So, if you're going to say sequentially quarter-over-quarter, the vast majority of that growth going to come from the base business.

Anubhav Aggarwal, Credit Suisse - Analyst [118]

And just understanding that further. So if base business would have been a bigger driver of that, just want to make sure that we have seen a trend with other companies, where the growth in the base business, the higher market share quarter-over-quarter, especially for last two quarters have come at the cost of margins for most of the players. Would that be a case for us as well?

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [119]

I mean, directionally margins are going to come down little bit, but I mean, we've more than made up for that in terms of market share.

Anubhav Aggarwal, Credit Suisse - Analyst [120]

Okay, that's helpful. Just one question, Mr. Desai. On export incentives of INR39 crore, is this -- how should I look at it? If I take your total sales minus India minus API, other companies typically get about 2.5% to 3% of that as the export incentives. Is that the way to read it?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [121]

Yes, it is 3% to the export, but then you will not get that desperate calculation from the details we have given, because export incentives is linked with the India supply to various market.

Anubhav Aggarwal, Credit Suisse - Analyst [122]

Okay. Of course, but do you expect now because the export incentive number that we reported in this quarter is much higher than the run rate for FY16 that we reported in the last March quarter?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [123]

No, not really. If you see the March quarter, we accounted for entire year, if you see this -- this will be sustainable, I think. So if our -- supply will continue and by and large, we will get around that this multiplied by three to four times what we have. That is what we are estimating.

Anubhav Aggarwal, Credit Suisse - Analyst [124]

But Mr. Desai, what you reported in fourth quarter was almost like INR80 crore, INR85 crore number or INR80 crore to INR90 crore number. And this quarter, we reported INR40 crore export incentives. That's exactly what my question was that what has changed versus March quarter, which was accounted for full year versus now? What's driving delta?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [125]

If you look at the standalone numbers and profit, you will get the answer. Standalone, yes.

Anubhav Aggarwal, Credit Suisse - Analyst [126]

Okay. Understood. And Glenn, a couple of questions for you. One is just questions for you. One is just question on the out-licensing deals on our innovative business. Is the trend -- I just wanted to understand and this question is both separate question on the chemical as well as the biologic. Earlier, we have out-licensed many molecules before Phase 2. Of course, the choice was with us, whether we want to out-license before Phase 2 take a lower reward for lower risk or high reward higher risk. But from a customer perspective, do you clearly see a trend now that this business model now has inherently shifted towards the high risk, higher reward model, where the customer wants to take molecules especially for chemicals only after Phase 2?

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

I think that's absolutely the case, Anubhav, in today's world. I mean, I guess, most people want to pass on the risk on to you unless the research you are doing is so novel and so exciting that people really want to get into that space. So from that perspective, you're absolutely right. Most people want and not necessarily Phase 2. See, I think the mistake you are making, in some of these cases, we are directly running patient trials. So it's safety and efficacy. If you can demonstrate safety right, which you'll get in the Phase 1 and efficacy normally in Phase 2, but for oncology in Phase 1, okay, because you are directly going into patients. That's when some of these assets become exciting as far as oncology goes. Some of the other cases, you are right, it will be a Phase 2a, before which some of these components will come really excited.

Anubhav Aggarwal, Credit Suisse - Analyst [128]

So especially for us, for biologics, when we do this -- in the past, you mentioned a biomarker test for example. When we do test for efficacy in Phase 1, so you are saying for biologics still out-licensing it after Phase I when we have done proof of concept kind of or efficacy test, it's still possible to out-license, but for chemicals, largely, it will be Phase 2. Would that be simple understanding?

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

Yes, I think for chemicals, you are right. Most people want chemical deals before Phase 2.

Anubhav Aggarwal, Credit Suisse - Analyst [130]

One clarification. Sorry, go ahead. Sorry.

Bob Matsuk, Glenmark Pharmaceuticals Limited - President, API & North America [131]

So Anubhav, biologics is a broad term, because I mean if you have a very exciting oncology product, even at preclinical, you might get - I used to write big checks. So it's a very broad classification between -- it all depends on which therapeutic area, which -- what is the level of excitement, what's the science looking like at that point in time.

Anubhav Aggarwal, Credit Suisse - Analyst [132]

Sure, that's absolutely right, actually. One question on the Russia business. Very strong quarter for us. I just want to understand that, yes, you mentioned about couple -- one product as a new launch and one product doing well for us, but it's a large business for us. I know it's been impacted but still a very decent sized business for us. So this 50% plus constant currency growth, is this just a base effect of last year or how do you expect this business to do over the year?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [133]

So our current thinking is, I mean, the business is really doing well for us at this point. So we anticipate a very good year for ourselves. Now, if you are asking me the number will be 50%, probably not, but we think anywhere north of 25%. On constant currency, it's 32% for the Russian business.

Anubhav Aggarwal, Credit Suisse - Analyst [134]

What has changed, Glenn, because, seriously, is it that -- sorry, this is my last question, just a follow-up on this only that, what has changed in Russia? Is it like, you are saying offtake of your old products, volumes pickup there or the new launches are doing significantly pretty?

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

I think there are two or three major launches which we had, products which we launched towards the second half of last year, which are really big drivers for the business there. And two of them are in the respiratory, one is in the derm space.

Operator [136]

(Operator Instructions) Surjit Bhalla, Prabhudas Lilladher.

Surjit Bhalla, Prabhudas Lilladher - Analyst [137]

Could you please tell me that what are the key US generic launches you have in FY17 and FY18, other than Zetia?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[138]

So I mean, I cannot comment on anything which is not in a public domain. We do not guide to any specific launches, other than what's in the public domain. So right now, it's just Zetia, which we can talk about.

Surjit Bhalla, Prabhudas Lilladher - Analyst [139]

Could you give us update on where do you stand in Nitroglycerin and Welchol?
Nitroglycerin and Welchol, where do you stand? I mean, when do you expect this trial or what are the regulatory status in these two products, because last time, in which we heard, is that Nitroglycerin your partner had resolved the issues with US FDA and you were expecting, so any update on that? And Welchol, I think, FDA came back to you with additional query. So any update on these two products?

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

Nitroglycerin, we have -- we could launch anytime, depending on when the FDA decides to approve the product. As far as Welchol goes, we don't see that as a FY17 launch. It is going to FY18, that's our perspective.

Surjit Bhalla, Prabhudas Lilladher - Analyst [141]

And you have replied all the pending queries in Welchol or is it still pending over there?

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

We don't comment, but we have nothing outstanding but we anticipate it will end up being an FY18 launch.

Surjit Bhalla, Prabhudas Lilladher - Analyst [143]

Could you give us any idea about what is the latest status of your approval of Nystatin combination which you received in Q1 in US? And whether you have launched it or what is the current size because it's a limited competition is what we understood.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [144]

We already launched the product. I mean that's all we can say at this point.

Surjit Bhalla, Prabhudas Lilladher - Analyst [145]

And response wise?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [146]

Sorry?

Surjit Bhalla, Prabhudas Lilladher - Analyst [147]

Response wise, I mean, market share wise, what's your sense?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [148]

It's been good. Look, Glenmark, most of our products, we are pretty successful in gaining at least 20% share on most of our products. So I think the response is good.

Surjit Bhalla, Prabhudas Lilladher - Analyst [149]

Okay.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [150]

Assume the derm portfolio, on our derm launches, we have been able to get that traction.

Surjit Bhalla, Prabhudas Lilladher - Analyst [151]

So do you think it will be one of the drivers along with Mupirocin in coming quarters?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [152]

I cannot give you any further visibility on which specific product is going to drive. All I can say is, as a cumulative, the number of approvals that we've got and the kind of launches that we got on our plate right now, and the kind of traction we are getting, we clearly feel that Q2 onwards, I mean, you should see a strong second quarter and then from year on, Q3, we will launch Zetia. So from year on, the US business should look pretty solid.

Surjit Bhalla, Prabhudas Lilladher - Analyst [153]

I have two accounting questions. Could you give a breakup of your other income, which quite a high in comparison to your previous quarters? As well as tax rate 35%, do you think it'll continue, I think, because this is your -- if I compare your cash tax rate, it is very close to that. So going forward, this 35% will be the benchmark?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [154]

Yes, so coming to your tax rate question, Q1, the tax rate definitely is on the higher side. We do expect this to normalize during the course of the year. So we should end with an effective tax rate of ballpark in the range of 25%. Then coming to your next question in terms of other income, this other income is basically a ForEx gain on the mark-to-market on receivables.

Surjit Bhalla, Prabhudas Lilladher - Analyst [155]

So how much of that will be or fully it depends on that?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [156]

Predominantly. Predominantly, it's India.

Operator [157]

Nitin Agarwal, IDFC Securities.

Nitin Agarwal, IDFC Securities - Analyst [158]

Glenn, on the India business, I mean how much of the growth was impacted this year by this quarter, by these regulatory issues and how do we see it going forward?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [159]

I mean, I think the India growth is getting impacted because there is a Zita base effect, which was there last year. That coupled with this whole, some of the price control and things like that I mean, our view is India on a full year will grow north of 15%. So if you see subsequent quarters once this Sitagliptin effect goes away from the numbers right which should happen by Q2, Q3 and Q4 should look very strong in terms of reported numbers.

Nitin Agarwal, IDFC Securities - Analyst [160]

Okay. And secondly on Brazil, I mean, we've been hearing most of the competitors talking about approval situation improving there and which is sort of leading to some amount of flip in growth as far as Brazil is concerned, I mean are we changing any -- seeing a change for us, our sort of momentum in Brazil?

Unidentified Company Representative [161]

No, so from approval process, we are not seeing some strong momentum coming out of Brazil. So Brazil for us still remains a huge challenge in terms of getting products approved. But I think one of the things we did in Brazil is we did a restructuring, which will, whereby, I think -- we've been able to cut expenses and I think overall this year we will pretty much breakeven in Brazil.

Nitin Agarwal, IDFC Securities - Analyst [162]

Okay. And lastly on the debt, I guess we still had we had some amount of [creep in] the net debt even in the current quarter. So while Zetia will account for some cash flows, which will help us put down the debt, but except Zetia, I mean, by when would you see the core operational cash flows be sort of sufficient to take start -- to start taking care of our cash, I mean, specifically start earning free cash flows incrementally going forward.

Unidentified Company Representative [163]

So, Nitin this Q1 debt is not something I'm paying a lot of attention to, because I think in subsequent quarters as the sales go up, we are just preparing for the subsequent quarters. Q1 is normally our weakest quarter in terms of sales. And we will generate a significant amount of cash going forward even without Zetia. So the core business, this year, will pretty much breakeven right without Zetia, will be close to a breakeven situation without Zetia. That's my perspective. And then the Zetia cash will be over and above.

Operator [164]

Alankar Garude, Macquarie.

Abhishek Bhandari, Macquarie - Analyst [165]

Thanks. Glenn, this is Abhishek. Couple of questions, specifically on the US side. This is the first quarter we are seeing \$100 million plus kind of a number with Crestor and T-ointment and stuff, you head towards around \$115 million to \$120 million, possibly next quarter. And then you have Zetia for the next three quarters. The question is essentially to get what your base business would be post you've exhausted Zetia, so from around \$115 million, \$120 million. Once we go ex-Zetia in the second quarter of FY18, what's the number on a regular basis? Do we revert back to \$120 million or you have sufficient launches to put that -- push that \$120 million or \$115 million per quarter number up to around \$140 million, \$150 million?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [166]

So I mean, Abhishek, the question you're asking is impossible to answer, because we don't know during this period how many additional launches will be there and how the

market will play out. So all we can say is, if we just look at what filings are there and what products are likely to get approved. If all goes well, we will be in a situation where even in a post Zetia environment, we don't see a drop-off in the overall sales of the Company. I think the overall business will still continue to grow between 10% to 15% next year. On -- in a co-Zetia scenario, on a 12-month basis, despite not having Zetia. I mean that's what we think.

Abhishek Bhandari, Macquarie - Analyst [167]

Okay. Then even if we -- let's talk about what we know in the public domain. So you'll have -- do you expect Welchol to be in the market before Zetia goes?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [168]

I wish I do, Abhishek, I think these questions it's impossible to answer. I mean nobody knows when the FDA is going to approve a product and --

Abhishek Bhandari, Macquarie - Analyst [169]

Is there anything pending from your side, Glenn, as far as Welchol is concerned, as you stand today?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [170]

As far as we are concerned, I'm not sure whether we have any deficiency outstanding. But we know we are in the first wave of generic launches. That's what we believe as far as Welchol goes. Now when FDA decides to approve and what additional questions they may ask for as far as I know, it's impossible to predict.

Abhishek Bhandari, Macquarie - Analyst [171]

Okay. And Glenn, just to understand the operating leverage that US can possibly bring to your business. Currently if I look at your cost, you had a bump up in your employee costs as well. So assuming a \$50 million rise on a quarterly run rate basis in US and assuming your US sales brings in around the same kind of gross profits that you have. So does the gross profit directly go and hit your EBITDA or you think there are additional costs that will come and possibly rock the margin profile, because what I'm trying to arrive at is that will a US lever translate into overall EBITDA margin for the Company?

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

Absolutely. I think the US will bring the maximum leverage to the Company. It's very clear to us. And that's why while you may see price erosion in the US market for us every incremental product we launch is that much incremental sales. Even if it's like a slightly lower margin, it's still additional margin to the -- which goes straight to the bottom line without too much of cost associated with it. So I think that will definitely translate into incremental profits for the company going forward.

Operator [173]

(Operator Instructions) Alok Dalal, CLSA.

Alok Dalal, CLSA - Analyst [174]

Glenn, is \$45 million still outstanding from Venezuela?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [175]

Yes.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [176]

Yes, that's right.

Alok Dalal, CLSA - Analyst [177]

Okay. But, Glen, then till how much time will you wait for this money to repatriate or consider a write-off of this \$45 million amount?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [178]

See right now, the Indian government is pretty active in terms of trying to work out these swaps, oil swaps. So we want to see how that whole thing plays out. I think, over the course of this year, we should definitely get some idea or some positive outcome there as far as these -- the oil swaps go.

Alok Dalal, CLSA - Analyst [179]

Okay. So you'll wait for the entire full year before taking a call on this outstanding amount from Venezuela?

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

We'll definitely wait at least till we know where this whole Indian government negotiation is going.

Alok Dalal, CLSA - Analyst [181]

Sure. Okay, that's it from side. Thank you.

Operator [182]

Prakash Agarwal, Axis Capital.

Prakash Agarwal, Axis Capital - Analyst [183]

Yes, thanks for the follow-up. Just trying to understand the gross margin y-o-y it's down about 250 odd basis points, would it be largely attributable to Venezuela or the business mix. I mean, I was under the impression, the branded generics with a higher gross margins. So if you could help us clear that doubt, please.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [184]

So Prakash on the gross margin definitely there is a contribution from Venezuela because the sales have come down pretty significantly. But I think if you look at it from a year-to-year basis, I think that's what we always tend to guide that you know the gross margins will remain around 66% to 67% range. I think it's more a reflection of the entire year is what we would like to guide to rather than guiding from a quarter-to-quarter basis.

Prakash Agarwal, Axis Capital - Analyst [185]

So you're saying that the fluctuations that you see normally in the quarter is more normalized now and this is the run rate that you'll probably see going forward.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [186]

That's correct.

Prakash Agarwal, Axis Capital - Analyst [187]

Okay. Hello.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [188]

Yes. Go ahead, Prakash.

Prakash Agarwal, Axis Capital - Analyst [189]

Yes. And on the R&D side, could we have a split on the NCE and the generics please.

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [190]

So we are currently spending about 4.5% on the NME side. And the remaining is going towards generics and within that also it's primarily towards the US market.

Prakash Agarwal, Axis Capital - Analyst [191]

Okay. And that is likely to continue that kind of break up right.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [192]

Yes.

Prakash Agarwal, Axis Capital - Analyst [193]

And R&D again following up this about 10% to 11% is what you've guided.

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [194]

That's correct.

Operator [195]

(Operator Instructions) Deep Master, ENAM Holdings.

Deep Master, ENAM Holdings - Analyst [196]

Did you make any additions to your field force in India this quarter?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [197]

No, there's been no addition to field force.

Deep Master, ENAM Holdings - Analyst [198]

So what would your count stand at currently?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [199]

I think, it's about 3,200 sales reps.

Deep Master, ENAM Holdings - Analyst [200]

Okay. Just on the tax rate. So I just wanted to clarify, would it be 25% for the whole year, would it trend towards 25% towards the end of the year?

Rajesh Desai, Glenmark Pharmaceuticals Limited - Executive Director & CFO [201]

It will be 25% for the year.

Deep Master, ENAM Holdings - Analyst [202]

Okay. And would it be possible to share the Venezuela sales for the quarter?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[203]

We don't have that number, but it's very small.

Deep Master, ENAM Holdings - Analyst [204]

Okay. And like you said so ex-Zetia, you would be in a cash neutral position and Zetia would allow you to have surplus cash this year. So would that primarily go towards paying down debt?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[205]

That's correct.

Operator [206]

Alankar Garude, Macquarie.

Abhishek Bhandari, Macquarie - Analyst [207]

Glenn, you recently got approval for this a Epiduo gel. Do you have a settlement (inaudible) when exactly do you get to launch this product?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [208]

We can't give any timeline, Abishek, on that.

Abhishek Bhandari, Macquarie - Analyst [209]

Is it an FY18 launch? Forget about the exact time line, but do we see this molecule in market in FY18?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director [210]

We cannot guide to that, Abishek.

Abhishek Bhandari, Macquarie - Analyst [211]

Is it way off?

Glenn Saldanha, Glenmark Pharmaceuticals Limited - Chairman & Managing Director
[212]

No, it's a near term launch, okay. But that --

Operator [213]

Thank you. Ladies and gentlemen, that was our last question. I now hand the floor back to Mr. Jason D'Souza for closing comments. Over to you, Sir.

Jason D'Souza, Glenmark Pharmaceuticals Limited - VP & Head - Corporate Strategy & IR [214]

Thanks, Inbha. Before we close the call, the disclaimer. The document on this call was hosted by Glenmark Pharmaceuticals Limited. The information statement and analysis made in this document and call describing the Company's objectives, projections and estimates are forward-looking statements and progressive within the meaning of applicable security laws and regulation. The analysis contained herein is based on numerous assumption. Actual results may vary from those expressed or implied depending upon economic conditions, government policies and other incidental factors. No representation or warranty, either expressed or implied is, provided in relation to this presentation. The presentation should not be regarded by recipients as a substitute for the exercise of their own judgment.

With this, we end Glenmark's Q1 earnings call. Thank you, everyone.

Operator [215]

Thank you members of the management. Ladies and gentlemen, on behalf of Glenmark Pharmaceuticals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines