Q1 2019 Glenmark Pharmaceuticals Ltd Earnings Call

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Corporate Participants

* Glenn Mario Saldanha

Glenmark Pharmaceuticals Limited - Chairman, MD & CEO

* Jason D'souza

Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications

* Robert Matsuk

Glenmark Pharmaceuticals Limited - President of North America and Global API Business

* V. S. Mani

Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director

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Conference Call Participants

* Aditya Khemka

* Anubhav Aggarwal

Crédit Suisse AG, Research Division - Associate

* Bharat Shettigar

Standard Chartered PLC, Research Division - Head of Asia Ex-China Corporate Credit Research

* Chandramouli Muthiah

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HSBC, Research Division - Analyst, Healthcare and Hospitals

* Harith Ahamed Mohammed

Spark Capital Advisors (India) Private Limited, Research Division - VP

* Neha Manpuria

JP Morgan Chase & Co, Research Division - Analyst

* Nitin Agarwal

IDFC Securities Limited, Research Division - Analyst

* Pavitra Sudhindran

* Prakash Agarwal

Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals

* Prashant Nair

Citigroup Inc, Research Division - Associate Director of India Equity Research

* Saion Mukherjee

Nomura Securities Co. Ltd., Research Division - Head of India Industrials Research

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Operator [1]

Ladies and gentlemen, good day, and welcome to the Glenmark Pharmaceuticals Limited Q1 FY '19 Earning Conference Call. (Operator Instructions) Please note that this conference is being recorded.

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

Jason D'souza, Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications [2]

Thank you very much. Welcome to Glenmark's Q1 earnings call. Before we begin the call, I would like to introduce the participants from Glenmark. We have with us Glenn Saldanha, the Chairman and Managing Director; Mr. V. S. Mani, Executive Director and Chief Financial Officer; we have Robert Matsuk, President of North America and Global API business. And we have [Utkarsh Gandhi], Senior Manager, Investor Relations and Strategy.

Before we begin the call, I would like to ask Bob to give an overview on the U.S. business. Over to you, Bob.

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [3]

Thank you, Jason, and thanks, everyone, for joining us today. Before I give the quarterly update for the U.S. business, I wanted to mention a couple of updates.

First, we've recently announced the NDA filing acceptance for Ryaltris, formerly GSP 301 nasal spray. This is the first New Drug Application submitted by Glenmark to the U.S. FDA and another major milestone in the development of our innovative pipeline.

Second, our manufacturing facility in Monroe, North Carolina received its first supplemental abbreviated New Drug Application from the FDA for atovaquone and proguanil hydrochloride tablets, 250 milligrams/100 milligrams and 62.5 milligrams/25 milligrams. The Monroe facility is the company's first U.S. manufacturing site, and Glenmark has invested more than $100 million into this facility with plans for future expansion in coming years.

The North American finished dosage form business, which includes Canada and the U.S., closed the first quarter with recorded revenues of USD 105.21 million or INR 7,037.48 million versus the last year's corresponding quarter, which was USD 162.32 million or INR 10,405.29 million. We forecasted for the U.S. business second quarter sales for the financial year will increase sequentially over Q1.

In the first quarter of fiscal year 2018/'19, Glenmark was granted final approval and launched Clobetasol Propionate Topical Solution, 0.05%; Colesevelam Hydrochloride Tablets, 625 milligrams; and Tacrolimus Ointment, 0.1%. The company also filed 3 ANDA applications with the U.S. FDA this quarter and plans to file additional 3 applications in the forthcoming quarter. And we expect to receive approval on 3 to 5 new products in the quarter.

Glenmark's marketing portfolio to June 30, 2018, now consists of 137 generic products authorized for distribution in the U.S. market. The company currently has 63 applications pending in various stages of the approval process with the U.S. FDA, of which 30 are Paragraph IV applications.

The global API business had a solid quarter. Revenues from the sale of API in regulated and semi-regulated markets globally were INR 2,100.78 million for the first quarter ending June 30, 2018, against the corresponding quarter from last year of INR 2,047.70 million, an increase of 2.59%.

And with that, I'll turn the call back over to Jason to talk more about the progress we're making on our innovative pipeline.

Jason D'souza, Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications [4]

Thanks, Bob. Just to complete the overview of the remaining business.

India. Sales from the formulation business in India was at INR 6,632 million, recording growth of 7.61%. As per IQVIA MAT June 2018, Glenmark is ranked 13th with a market share of 2.31%. Glenmark is the fastest-growing company as per MAT June 2018. The India business market share gained market share in the following segments: the Derma segment market share increased from 9.15% to 9.19%; Respiratory market share grew from 4.6% to 4.77%; Cardiac market share increased from 4.04% to 4.35%.

Glenmark has recently launched AKYNZEO, an oral fixed-dose combination of netupitant and palonosetron in the Indian market as a 5-day prophylaxis from both acute and delayed phase of chemotherapy-induced nausea and vomiting. Glenmark had earlier an exclusive licensing arrangement with the Helsinn Group, a Swiss pharmaceutical group, to introduce AKYNZEO with exclusive marketing rights in India and Nepal.

Glenmark announced that it has entered into a collaboration agreement with the leading homegrown private equity firm True North for its orthopedic and pain management business for the India and Nepal market. Glenmark's orthopedic and pain management business, consisting of brands such as Esoz, Bon K2, Collasmart and Lizolid, clocked revenues of INR 1,558 million in FY '17/'18. Under this collaboration, Glenmark's orthopedic and pain management business will be transferred to a new entity to be incorporated by True North, which will market the product portfolio in India and Nepal. The transaction is expected to be completed in the next 2 to 3 months.

Glenmark's Consumer Care business continued its robust trajectory growth with 25% growth in the first quarter of FY '18/'19. As per IQVIA data for the first quarter, Glenmark's leading brand in the consumer health care business, Candid Powder, recorded 5.6% value growth and market share of 46.6%. Likewise, VWash Plus brand continued to be a dominant market leader in the intimate hygiene category, with a market share of 46.7% in the first quarter, a gain of 4% market share over the last year and value growth of 21.5%.

Moving on to the other businesses. The Africa, Asia and CIS region for the first quarter, revenue from this region was INR 2,454 million, recording an increase of 8.37%.

As per IQVIA MAT June 2018 data, Glenmark's Russia business showed de-growth of 5.5% versus overall market growth of 3.7%. Glenmark Russia continues to dominate the dermatology segment and still ranked among the top 10 in derma companies in Russia. Glenmark is also ranked among the top 5 companies among the companies present in the expectorant market.

For the key markets in the CIS region also, like Ukraine and Kazakhstan, record high double-digit secondary sales growth for the company.

The Asia region's recorded secondary sales growth was led by key subsidiaries, such as Malaysia, Philippines and Myanmar.

The Africa region also posted strong secondary sales growth of 50% in the first quarter, aided by robust growth in most of the key markets.

Europe formulations. Glenmark Europe operations was at INR 2,197 million, recording an increase of 35.61%. The Western European business continued expanding, led by strong growth from Nordic countries due to the launch of SALMEX in Denmark and Norway. While the U.K. market growth was impacted due to the one-off supply chain issues, the overall growth was compensated with strong performance with Spain, Germany and the Netherlands. The Central Eastern European region recorded strong secondary sales growth in spite of significant pricing pressure during the quarter. During the fourth quarter, Glenmark had become the first generic company to receive regulatory approval for substitution in Denmark for its generic of Seretide Accuhaler, and the company has subsequently launched the product in Denmark and Norway.

Latin America. Glenmark's revenue from Latin America and Caribbean operations was at INR 976.11 million, recording a growth of 15.50%.

The API business. Revenue from the sales globally was at INR 2,100 million for the quarter ending June 30, 2018, recording growth of 2.59%. In spite of a challenging external environment, Glenmark recorded robust sales in some of its key APIs, such as Perindopril, Lercanidipine and Aprepitant.

On the R&D side, first, the Respiratory assets. Glenmark announced the filing acceptance of the company's first New Drug Application for Ryaltris. The PDUFA target action date for completion of FDA review is March 31, 2019. Glenmark also entered into an exclusive licensing arrangement with Seqirus, part of an Australia-based specialty biotechnology company, to commercialize Ryaltris in Australia and New Zealand. Glenmark will receive an upfront payment as well as regulatory and promotional milestones from Seqirus. Ryaltris represents the continued commitment towards building a global branded business in the specialty respiratory segment. The company plans to commercialize Ryaltris in several key markets globally and has already initiated product filings in certain markets.

GBR 310. Glenmark recently announced results from a Phase I study that suggests similarity in pharmacokinetic, pharmacodynamic, safety and immunogenicity profile between Glenmark's proposed biosimilar GBR 310 and the reference product omalizumab, marketed in the U.S. under the brand name XOLAIR. Glenmark expects to meet the U.S. FDA in H2 CY 2018 with the goal of advancing the development of GBR 310. The company targets to file and initiate the Phase III study in Q4 FY '19.

GRC 39815, an NCE, continues to progress well in preclinical development, and the company plans to initiate a Phase I study in FY '20.

Oncology assets. GBR 1302, a Phase I first-in-human study to determine MTD in those patients with HER2-positive cancers is ongoing. Dose escalation continues at 9 participating clinical sites across Germany and the U.S. The study is currently enrolling patients in Cohort 9 and will continue until MTD is reached.

Translational data in trastuzumab-resistant cancers were presented at the 2018 Annual Meeting of ASCO, and updated results on early biomarker data was expected for presentation at the European Society of Medical Oncology Conference slated on October 2018.

The company recently announced an exclusive licensing arrangement with Harbour Biomed for the Greater China territory to develop, manufacture and commercialize GBR 1302. Under the terms of the agreement, Glenmark will receive an upfront payment and is eligible to receive payments for achieving 3 specified millstones as well as tiered royalties on net sales for any approved products from Harbour Biomed. The agreement potentially worth more than 120 million in addition to royalties for Glenmark. Harbour Biomed will lead the clinical development and commercialization of GBR 1302 with the option to manufacture GBR 1302 for the Greater China market. The companies will collaborate on the generation of clinical data to support the registration of GBR 1302 in HER2-positive indications in their respective territories.

GBR 1342, a Phase I study in human -- Phase I first-in-human study to determine MTD in patients with multiple myeloma is ingoing. The study is currently enrolling patients into Cohort 6 with patients being already identified for enrollment up with Cohort 7. Up to 10 cohorts are planned for this MTD portion of the study. The study's primary objective is to assess the safety and tolerability of increasing doses of GBR 1342. Additional study objectives include the assessment of biomarkers, immunogenicity and measures of anti-tumor activity. At ASCO 2018, Glenmark presented a trial-in-progress poster about GBR 1342 for the treatment of refractory multiple myeloma, including patients who are nonresponders to daratumumab.

GBR 1372 is currently in preclinical development.

On GBR 830 -- or Phase IIb study of GBR 830, which is being evaluated for the treatment of moderate to severe atopic dermatitis, had been initiated with 13 active sites in the U.S. Glenmark will be activating sites in Canada in August and in EU later this year. Glenmark is currently evaluating GBR 830 for the study in patients with SLE. The company has also initiated pre-clinical ex-vivo translational studies to evaluate GBR 830 in patients suffering from ulcerative colitis.

The pain asset. A Phase IIb study of GRC 27864 is progressing as per plan, with 30 active sites in India and 70 patients recruited for the study. Glenmark plans to complete trial recruitment by the end of FY '19.

Before we move on to question-and-answer session, a few more just on the P&L. R&D expenditure for Q1 FY 2019 was INR 245 crores, which was 11.45% of net sales. Inventory as of June 30, 2018, was at 27 -- INR 2,070 crores as compared to INR 2,030 crores. Receivables as on June 30, 2018, was at 3 -- INR 2,345 crores as compared to INR 2,332 crores. Payables as on June 30, 2018, was at INR 1,820 crores as compared to INR 1,870 crores. Other income recorded for the quarter was at INR 138 crores, including INR 125 crores of ForEx gain. NPM impacts on loans in USD was to the extent of INR 230 crores on account of the USD-INR impact. Gross debt was at INR 4,652 crores as against INR 4,639 crores. Net debt was at INR 3,662 crores for June 30, 2018, as against INR 3,404 crores. In constant currency, net debt increase by 11 million for the quarter.

With this, we would like to open the floor to question and answers.

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Questions and Answers

Operator [1]

(Operator Instructions) We take the first question from the line of Neha Manpuria from JPMorgan.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [2]

Sir, if I were to look at the U.S. business, obviously, it has eroded quarter-on-quarter despite the launches. Given we have still contribution of these launches in the second half, how should we look at the U.S. business for the quarter? And even so for, let's say, over the next 3, 4 quarters, what sort of launches are we expecting?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [3]

Yes, so we, I think, also see the full impact of the launches, such as Tacrolimus, Colesevelam oral tablets, Colesevelam suspension, had come to fruition in Q2 and moving forward. And then we would expect another couple of launches in the derm -- or women's health care space as well to help us grow sequentially from this point moving forward.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [4]

And would there be sort of limited competition launches?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [5]

Yes, the -- there's a -- go ahead, Glenn.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [6]

No, that's right, Neha. I think they'll all be limited competition, where we'll be at a sole or first to second on the market.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [7]

And how many launches are we expecting, sir, in the full year, given you've had 3 good launches already in the quarter?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [8]

Bob, do you want to?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [9]

Yes. So we would expect at least a couple more that would be limited competition coming up.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [10]

Okay. And second question, on the announcement on orthopedic and the pain management business to True North that you've announced, what is your thought process of doing such

a deal given I'm assuming Glenmark will still continue to market these products in the market? I'm sure we expect more such sort of smaller businesses being divested as we go along.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [11]

So this is a collaboration that we've signed with True North. So it's basically a partnership that we're trying to enhance the orthopedic franchise and then further the growth of the franchise collectively. I mean, the advantage is True North is bringing the capital to the table to basically launch the new products and to enhance the value for both partners. I don't -- I would not anticipate doing any similar deal going forward, but this is a unique thing, and we're happy to be taking this forward.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [12]

Okay. So this is more getting capital to grow the business rather than we probably don't have enough scale in the business and, therefore, are divesting the business?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [13]

There's no divestiture. It's a collaboration, basically.

Neha Manpuria, JP Morgan Chase & Co, Research Division - Analyst [14]

Okay. So the sales would still be recorded under Glenmark, probably in your accounting book?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [15]

Honestly, we can't comment on the specifics, Neha. This is as much as we can say right now.

Operator [16]

(Operator Instructions) We would take the next question from the line of Prakash Agarwal from Axis Capital.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [17]

Just trying to understand these realities going forward. In terms of commercialization, we've seen some out-licensing for Australia and New Zealand market. How do you think about the Europe and the U.S.?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [18]

So we think -- look, Ryaltris for us will be our first global brand as a company, right? And I think in markets where we don't have a presence, right, we will continue to partner it out. I think Australia and New Zealand was the first, but there are several markets where we don't have a commercial -- where we don't have commercial presence, markets like China, Japan, South Korea, so we will find partnerships in these markets, too. And in the markets where we have a presence, we'll either commercialize on our own or we will partner out with the local company or -- to take this forward.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [19]

But you would be 1 year out for this product. So are there preparations there in terms of partnership or your own launches or whatever? I mean, when do we start the expenses going up on this account?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [20]

So look, we don't anticipate any expenses going up this year. I mean, that's the only visibility that we can give you. At this point, we are still deciding, from a commercial perspective, what's the best way to take this forward.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [21]

Okay. And from a 3-year perspective, I mean, last time, we discussed that -- I requested for a little color on the potential peak sale we can derive from most of the molecules, so if you could give some color on this one and XOLAIR.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [22]

So look, Ryaltris, for us, I mean, considering if you take global sales, right, I mean, this could be a pretty large opportunity for us, right? I would anticipate between 150 million, 200 million peak sales on global sales. Of course, XOLAIR could be even larger, right? I think we're not ready to put out numbers on XOLAIR, but at this point, we anticipate that so far, what we are seeing is we're likely to be among the first biosimilars for XOLAIR. So that could be a large opportunity for us, too.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [23]

And would it be fair to think on XOLAIR also you won't have interest from MNC players in terms of in-licensing that same? Or what is -- I mean, are you looking out already? Or we developing it first, and then at a later Phase III, we might look at out-licensing?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [24]

So again, I mean, we have active discussions on XOLAIR for partnering on various markets, but we've strategically not decided what's the best way forward for us, right, whether we want to partner or we want to move this forward on our own.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [25]

Okay. And just lastly, on sharing the business maths on the deals that you've done. So looking at your orthopedic portfolio sales, I mean, the comparison's too big. If you could just give us some color. Because the (inaudible) number is really small, about INR 28 crores, INR 30 crores, so I don't know what's the number, but what is the expected -- or what is the max sales for third-party number, if you can share your (inaudible) or IMS on this business?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [26]

I think we -- so Prakash, that number we've put out in the press release, I think it's close to net...

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [27]

Yes, so we put out the net sales of this business is INR 155 crores.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [28]

INR 155 crores, Prakash.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [29]

Okay. And the state that we might be -- or we are selling?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [30]

So we are not giving any further insights into it, Prakash.

Prakash Agarwal, Axis Capital Limited, Research Division - Executive Director of Pharmaceuticals [31]

Okay. But as earlier participant asked in terms of consolidation, would it be more than 50%, so consolidation would not happen, and it would be below the line? Or just that color would be helpful.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [32]

Prakash, we can't give any further information on the transaction.

Operator [33]

(Operator Instructions) We take the next question from the line of Anubhav Aggarwal from Credit Suisse.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [34]

Just again on this question on the India business collaboration, how was this portfolio growing, orthopedics, for last 1 or 2 years?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [35]

So the sales were -- I mean, we're pretty much flat, and we didn't -- so that's the reason why we think getting in a partner will help fuel the growth of this franchise.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [36]

But again, my understanding is most of the India businesses do not need that much capital, right? In terms of clarity of your, let's say, decision-making, I was thinking like our OTC portfolio will need much more capital, right, then there's orthopedic portfolio. So I'm just trying to understand the decision-making process of calling out the orthopedic portfolio and for pain.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [37]

Look, India is a very strong business for us, okay, Anubhav. As you know, in the last month, we are the fast -- we were the fastest-growing company, right? IMS, (inaudible), all of us are putting us at 22%, 25% growth. So it's a fast-growing portfolio. It's a very valuable portfolio for us. And we continue to drive growth across all the different lines, okay, that we have in India. So it's -- this was one line where we thought we needed a financial partner to help us fuel the growth, so we did it. We did something about it, right? But the rest of the franchise continues to do exceedingly well. We've gained market share across each and every therapeutic segment that we operate in, so whether it's dermatology, whether it's cardiovascular, whether it's respiratory, whether it's metabolic. So it's a very strong franchise for us, right, and we continue to gain traction across. OTC business, as you know, is growing at 25-plus percent. So I mean, I think one cannot be too ambitious, right, to expect growth beyond that. So I think across the board, India has been a strong franchise for us and continues to be very valuable for the company.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [38]

Okay, that's helpful. One question on the U.S. business. Last time, you mentioned that -- Bob mentioned, (inaudible) gave Welchol and Tacrolimus, that's already have contracted 15% share. So what is the reason that your contracted share did not materialize in quarter 1, and now you're guiding for quarter 2 for the share?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [39]

Well, I think -- this is Bob. I think the -- these were kind of mid-quarter. And basically, sales were just going to ramp up, and share was starting to ramp up. But now we're seeing that share be now maturing, we can expect the steady run rate going forward.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [40]

So Bob, IMS shows that your share, for example, in some of the drugs is -- was low single digit to mid-single digit. But since you're guiding for 15% plus, so have you reached that 15% number now already midway in August?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [41]

Yes, I mean, I think in terms of the channel, we grew share. I think we just need to get there in terms of net prescriptions. But we're 25% plus from a channel perspective at this point on these products.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [42]

So 25% is -- basically, you get 25% of prescriptions, you're getting on both the products right now, Welchol and Tacrolimus?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [43]

Yes, I mean, in terms of contracted shares, they still probably need to ramp up a bit.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [44]

So Anubhav, that's per share we have, okay? Obviously, there will be some inventory in the channels, so it may not completely reflect the IMS on the first day, right? And it's hard to predict what IMS is going to report, right? But the share we have is in excess of 25% on these products.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [45]

Understood. But I was understanding from a perspective of sales reported were lower than expected. And it looks like the contribution from these products did not reflect in this quarter, so that's why I was reflecting that.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [46]

Correct. Yes, absolutely. There's no -- there was no reflection in Q1 because, obviously, there's inventory in the channel, right? So even if we get the share, right, it's not a day 1 launch, Anubhav, right? We are coming in, in a market where there are already 1 or 2 players who had launched ahead of us, right? So by the time that there is inventory in the channel which has to get washed off, right, before our product goes into the market. And even after that, it's a gradual ramp-up, okay? But as of today, as Bob said, right, we've already locked in share which is 25-plus percent, right, across the 3 products.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [47]

Okay, that's helpful. If I can ask one clarity -- or one question on the gross margin. Last time, Mani mentioned that the INR sensitivity for you guys is INR 1 depreciation, INR 1 depreciation and INR 30 crore kind of benefit. So INR sequentially, it went from INR 64.5 to INR 67, that's INR 2.5 almost. But in gross margin, I don't see that benefit of INR 60 crores, INR 65 crores have shown through this quarter. Mani, what has led to that benefit not realizing?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [48]

So partly, if you see the -- most of the benefit will be there in the exchange rate difference, okay? Obviously, as INR moves up, whatever we kind of sell, that's for the [debt] or whatever, they get revaluated, so that's partly fitting in the exchange rate difference.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [49]

No, but that's the thinking. You're recording sales also at 57, right, so gross margin should reflect that benefit, isn't it?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [50]

Yes. And to some extent, it is already there. I mean, if you look at it, in the previous quarters, it was about 37-odd percent in the third quarter. And so now if you look at the difference, this time, it's about 35%, so already, you recorded about 1.5% to 2%.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [51]

35%?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [52]

Yes.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [53]

That's material costs?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [54]

Yes, sir.

Anubhav Aggarwal, Crédit Suisse AG, Research Division - Associate [55]

Yes. So -- but somehow, my number suggests that for 4Q also, we were about 34.5%. So I'm not -- so actual gross margin for us has declined sequentially?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [56]

No. If you look at it compared to third quarter, partly fourth quarter and this quarter, it's been somewhat better, okay? It's been at least 1.5%, 2% higher. That's the number.

Operator [57]

(Operator Instructions) We would take the next question from the line of Nitin Agarwal from IDFC Securities.

Nitin Agarwal, IDFC Securities Limited, Research Division - Analyst [58]

Glenn, on the other transaction that you guys mentioned about hiring off the API business into the subsidiary, I mean, what are your thought process behind this move? And then how do we see this thing going forward?

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

So I think, we've subsidiarized our API business, right, and we are just determining what the next steps are. There is a possibility, at some point, we may consider bringing in a minority investor in there. And again, the idea is to continue to grow that business, fuel that business, and whatever cash comes in will go to paring down debt. I mean, that's the thought process.

Nitin Agarwal, IDFC Securities Limited, Research Division - Analyst [60]

Okay. And secondly, on the innovation pipeline, barring with Ryaltris and XOLAIR, (inaudible) development is going to happen there, how should we look at the milestones in the innovation pipeline over, say, next 12 to 18 months? And what are the things that we should be watching out for from a data perspective and from a -- and maybe with regards from the licensing, if there are any for the rest of the portfolio?

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

I think early licensing will continue. You will continue to see licensing deals going forward, both at the regional level as well as potential global licensing deals, right? And that continues to remain a priority on the innovation side. I would say more than licensing partnership deals, right? Our thought process is we want to continue to stay involved in developing these assets on the innovation side, so we're looking for partnerships here, right? As regards data, I think the oncology portfolio, both 1302, 1342, we keep presenting at various conferences. We have a presentation now at ESMO in Europe, and you will continue to see data continuously being presented at various forums. So the pipeline continues to progress well. The assets are all very valuable. As you know, GBR 830, we are, right now, in a Phase IIb trial, so we don't anticipate data until towards the end of the next calendar year. So we still have time. We are planning to start the SLE lupus trial in the 830. And the oncology assets are doing well for us.

Nitin Agarwal, IDFC Securities Limited, Research Division - Analyst [62]

And currently, for R&D spend, what proportion of our R&D expense -- I mean, how are you splitting it between generics and specialty right now or innovation?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [63]

I think -- I mean, generics and specialty put together is roughly around 8%, I would say. Innovation is about 4%, 4.5%.

Nitin Agarwal, IDFC Securities Limited, Research Division - Analyst [64]

And between specialty and generics?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [65]

We can't break that down for you, Nitin.

Operator [66]

(Operator Instructions) We would take the next question from the line of Saion Mukherjee from Nomura.

Saion Mukherjee, Nomura Securities Co. Ltd., Research Division - Head of India Industrials Research [67]

Glenn, can you throw some light on the Seretide MDI, how is that doing and the kind of traction you are seeing? Are we -- do we have a good number this quarter from there? And at this like tender market, how should we think about this ramping up to this year and next?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [68]

So the European launch of the Seretide, it's a DPI, so Seretide DPI, so I think we are really excited about this product. We've launched in the Nordics. We are expecting approval in

Germany any time. We are expecting to take this product across the 12, 13 markets. So the ramp-up has been good. And we see this product contributing significantly to the European growth. It already has started and then it will continue to ramp up, right, across the different markets in Europe.

Saion Mukherjee, Nomura Securities Co. Ltd., Research Division - Head of India Industrials Research [69]

So these are tender markets. I mean, how do you get share in the markets you have launched so far?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [70]

So far, it's substitutable, so it's all on substitution, right? I mean, obviously, Germany, you have the AOK tender, which is already concluded for this year. So -- but I think going forward, the AOK also could be interesting opportunity. So I think overall, we feel pretty good about the product, and it's doing really well across the markets where we're launching so far.

Saion Mukherjee, Nomura Securities Co. Ltd., Research Division - Head of India Industrials Research [71]

Okay. And my second question is on XOLAIR. Do you -- I mean, have you interacted -- has there been any feedback from FDA already on the way to develop this product? Because you've done the Phase I already, and I was just wondering what's the level of regulatory uncertainty given the (inaudible)

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [72]

So we've done a meeting with the FDA prior to completing the Phase I, right? We've done a face-to-face with the FDA, and we've shared with them our development plan. So I think there is a lot of clarity on the development pathways, right, and what the expectations are. However, I think post Phase I, we will go back to the FDA with our end-of-Phase II meeting and present to them again our Phase III plan and get consensus around the way forward.

Saion Mukherjee, Nomura Securities Co. Ltd., Research Division - Head of India Industrials Research [73]

And Glenn, just one lastly, what's the time line like when do you expect the Phase III to start, when will it end, and when can potentially this product designed for the U.S.?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [74]

So we've already said the Phase III we anticipate to start in Q4 of this year, right? And it'll probably take us, again, close to 2 years to complete that trial and to complete the Phase III and file it.

Operator [75]

(Operator Instructions) Next question is from the line of Chandramouli from Goldman Sachs.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [76]

The first question is on the cost rationalization program that you [end up the call upon] reported back. If you could just give us some color and updates there and how things look for the back half of this year.

Jason D'souza, Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications [77]

So normally, so in terms of the cost rationalization, that the entire dose initiatives continue on. As you can see, that is reflected in the other expenditure being lower in the first quarter. However, as we said that as the business ramps up, that and other expenditure, especially

the marketing expenditure will increase. So overall, I think the initiatives will definitely generate a lot of savings for us, and you will see that in the numbers -- in the entire annual numbers for FY '19.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [78]

Okay. The second question is on potential opportunities from fewer exits on certain products in the U.S. There's been a lot of hint and then news around the leaders in the U.S. and its market trying to pull out the products which are not making sense for them probably [and not essential] anymore. As Indian manufacturers, are you seeing any updates there, any opportunities there, any business opportunities open up for you?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [79]

Chandra, will you please speak a little bit louder, please?

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [80]

Sure, sure. So the question is on exits of generic market leaders in the U.S. (inaudible) and just talked about translating the portfolio in the U.S. Are you seeing any opportunities from some of these base business products?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [81]

I mean, we are constantly picking up business in the U.S. from some of these -- some of the other companies that are exiting products. So I think there are those opportunities, right, and we're constantly picking up business from these situations.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [82]

All right, all right. And can you just give us any update on pricing medicine, what level of this business erosion we are seeing in the U.S.? Because I think recent trends kind of point to stabilization in the pricing (inaudible) in the U.S., high single, a little bit low, the business erosion trend, just what level are you seeing?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [83]

Yes, we're continuing to see price erosion. I think it's -- at this point, it's stabilizing. So we are seeing some moderation in terms of the price erosion, but it's still there.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [84]

And could you just help us with some ballpark quantification? Is it still in double digits, or are you seeing it improving those [in the U.S.]?

Robert Matsuk, Glenmark Pharmaceuticals Limited - President of North America and Global API Business [85]

It's moderating. I would say it's somewhat -- like I've said, it's still there. I mean, we're not going to give specific guidance in terms of a number, though.

Chandramouli Muthiah, Goldman Sachs Group Inc., Research Division - Research Analyst [86]

Sure, sure. No worries. And the last question is on the regulatory status. So I think you've received some observations at a couple of your plans for the last 4, 5 months. If you could just give us an update on that.

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

So, so far, I think on the regulatory side, I mean, we remain compliant on all our facilities with -- I don't think we have anything outstanding from the agency.

Operator [88]

(Operator Instructions) We would take the next question from the line of Bharat Shettigar from Standard Chartered Bank.

Bharat Shettigar, Standard Chartered PLC, Research Division - Head of Asia Ex-China Corporate Credit Research [89]

First question is, your other income for this quarter was INR 138 crores, which is higher than what we reported for full year FY '18. Can you throw some light on what does this include?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [90]

So the other income was mainly consisting of the exchange rate difference, okay? That's about INR 125 crores.

Bharat Shettigar, Standard Chartered PLC, Research Division - Head of Asia Ex-China Corporate Credit Research [91]

Okay, okay. And given what's happened to INR-USD, has the company changed its hedging policy on the foreign currency debt in the last few months?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [92]

No. Broadly, we continue to remain the same way.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [93]

Yes.

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [94]

So we have a natural hedge in terms of basically the debt and as well as what we export during the year. So to that extent, there is a different amount of hedge there.

Bharat Shettigar, Standard Chartered PLC, Research Division - Head of Asia Ex-China Corporate Credit Research [95]

Okay. And the final question is on the True North transaction. The press release mentions a valuation of INR 635 crores. Can you throw some light on what does this mean in terms of any potential cash inflow for Glenmark?

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

This is a combination of cash and stock, right? I mean, that's the only visibility we can give.

Operator [97]

(Operator Instructions) We would take the next question from the line of Damayanti Kerai from HSBC.

Damayanti Kerai, HSBC, Research Division - Analyst, Healthcare and Hospitals [98]

Sir, can you just talk about your progress in some non-U.S., non-India market like Russia and Brazil in terms of how should we look at those market and what are the challenges you are facing in those markets?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [99]

Well, I think -- I mean, I think that most of the emerging markets, right -- see, Asia is doing well for us. Africa is doing well for us. Russia, we're seeing some slowdown in terms of the overall market, but Russia is so dependent on the winter that if they have a cold winter, automatically, we anticipate sales will come back very strongly. So as far as Latin America goes, most of the Latin American countries are doing well. Brazil, we still see challenges in terms of new product approvals. But now Brazil's contribution for the total revenues has come down substantially, so we don't anticipate any impact to the overall performance for the company.

Damayanti Kerai, HSBC, Research Division - Analyst, Healthcare and Hospitals [100]

Okay. Sir, broadly, how much is it taking to getting you approval in Brazil on an average? Still like about 2 to 3 years? Or what kind of time frame (inaudible) for the product approval?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [101]

I think that should -- that's more or less correct, Damayanti. It's taking about 2 to 3 years.

Damayanti Kerai, HSBC, Research Division - Analyst, Healthcare and Hospitals [102]

Okay. And in Russia, recently, have we seen any like changes from the channel procurement side in terms of like there had been some change at the way the channels will stock up products or like any observation from your side?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [103]

So we are not seeing any changes from a procurement perspective. So I think the overall market, there is a slowdown. But other than that, I think Russia still remains a very attractive market. And we have some excellent new product launches. We launched 1 or 2 products in the last 3, 4 months, so I think you should see growth coming back very strongly in Russia.

Damayanti Kerai, HSBC, Research Division - Analyst, Healthcare and Hospitals [104]

Okay. And can you repeat receivable numbers for the quarter? I missed on that.

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [105]

Yes, it was INR 2,332 crores -- INR 2,345 crores, sorry. For June 30, it was INR 2,345 crores.

Operator [106]

We take the next question from the line of Aditya Khemka from DSP BlackRock.

Aditya Khemka, [107]

Glenn, this China inflation and key starting materials, raw materials for products, how has that impacted our gross margin this quarter? And would you say the entire impact is [settled] in this quarter? Or would you expect more going forward?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [108]

Yes. So Aditya, this is Mani here. So briefly, there is some increase in the China material, but it's a question of 2 ways. One, obviously, I mean, the impact has not been much because one have got some benefit of the rupee appreciation as well. But more importantly, if we look it, it all depends on the product mix, okay. So going forward, when you look at the margin, if you look at it, the combination of the product mix and maybe, to some extent, obviously, the China impact to a limited extent may be there. But obviously, the product mix, there's a bigger role in there.

Aditya Khemka, [109]

All right. So would you -- so Mani, from this point onwards after the first quarter, going into the second quarter, there will be 2 effects on your gross margin. While there'll be obviously product mix is improving more complex products in the U.S., but to counter that, it would have some Chinese inflation in the raw material also happening, right? So net-net on the impact of both these 2, how do you directionally positive despite the inflationary impact? Or...

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [110]

Directionally, it is positive. I mean, I think directionally, we'll definitely see this positive because of the kind of good product launches and the mix that we see going forward.

Aditya Khemka, [111]

All right. Then are we trying to mitigate this risk from the Chinese exposure? Because from what I am reading on the Chinese side, it seems that this problem may persist for the next few quarters to come, maybe even a couple of years. So is there any way really to mitigate this? Or do we have to necessarily depend on these guys for sourcing our raw material?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [112]

So I think as it is, we are anyway doing a lot of different things to mitigate the risk, right, so we don't -- so that we don't end up in short supply and shortages and stuff like that, right? But there are clearly challenges that I think the entire industry is facing, right, with regards to shortages from China. So we've done a good job to make sure that sales don't get affected and materials are available, right, both for our capital as well as our external API sales. So -- and I don't anticipate any impact because of all the mitigation things that we have done. But I think the industry continues to be challenged with the whole China situation. Also, there's no doing away with purchases from China, so there will always be some amount of materials which you'll have to depend on China and have to purchase from China over the long run.

Aditya Khemka, [113]

Right. That's right. And Glenn, just in terms of the capital allocation from this point onwards, despite reporting EBITDA and despite our capital allocation to the U.S. facility $100-odd million. First, let's talk about the U.S. facility, and then I'll move forward to the other capital allocation decisions. For the U.S. facility, which costed us about $100 million, this is the first facility you've launched from direct method, though?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [114]

Yes.

Aditya Khemka, [115]

So by when do you...

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

The first.

Aditya Khemka, [117]

Yes. So by when do you see 100% capacity utilization of the plant, A? B, what is the current operating expenses of the plant that is on our P&L? Or are we capitalizing it on our balance sheet?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [118]

So we are expecting everything out, okay -- or Aditya, we're not capitalizing anything. But as far as the products, right, I mean, we have maybe about -- we've already filed a few products. We have some more filings going out this year. So I think all in all, from next year onwards, right, the facility should be in -- I mean, I would anticipate towards the second half of next year, all the 3 lines, which is your injectables, your oral solids and your nebulizers, right, should be fully operative, right? As a result, 100% capacity utilization will still take us at least -- I would anticipate at least 3 years more, right, to get to 100% capacity utilization.

Aditya Khemka, [119]

All right. So in other words, Glenn, so when would be breakeven on the facility at least from the operating expenditure side?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [120]

I think from FY '21, I would clearly assume that the facility will be breakeven.

Aditya Khemka, [121]

FY '21? So it will take us roughly like 2 years to break even on the plant?

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

Correct, and just because we have 3 lines, right? I mean, so the oral solids, we can -- we will break even probably this year itself, right, or next year. But we still have an injectable line and our nebulizer line, right, where we are still filing products, right, which have to get approved. And until they get approved, then commercialized, right, then you won't achieve breakeven on the lines.

Aditya Khemka, [123]

Fair enough. And again, on this facility only, Glenn, the injectable and the nebulizer line that we have put up, firstly, on the injectable side, so we are seeing a lot of people talk about injectable filings in the U.S. Many examples are there. And a lot of them are filing like a lock, stock and barrel, lots in the -- from the injectable side, especially on the (inaudible) injectable side. So how do you plan to differentiate your product offering in the U.S. on that side?

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

So I mean I can't give you the details of it, right? I mean, obviously, we have also filings. Many of them are first wave of launches. Some are (inaudible). So it's a complete mix of products, right? It's -- I don't think we can talk about at this point, but we have clear differentiation in what we're doing.

Aditya Khemka, [125]

Okay. How many ANDAs on the nebulizer and the injectable side are pending approval as of now from that facility, pending approval, filed with the FDA?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [126]

I can't give you that number.

Aditya Khemka, [127]

Okay. How many do we plan to file over the next 2 years?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [128]

I mean, I think that clearly, I would say we have at least 15 filings going out between this year and next year out of that facility.

Aditya Khemka, [129]

Fair enough. And secondly, Glenn, on the capital allocation side, so divestiture of the -- or ever a subsidiarization or a JV formation with the India orthopedic business to defuel growth in that segment. That seems like a good capital allocation decision because we are at least putting money back into a business where you've seen material growth. But when it comes to the innovation side, again, you were seeing very small green shoots as of now, and a lot of money is already getting burnt into that R&D engine. Any other plans other than this -- out-licensing this, which obviously have long-tenure deals? Any other plan to unlock value there or sort of make some more money there?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [130]

No, Aditya.

Operator [131]

(Operator Instructions) We would take the next question from the line of Nitin Agarwal from IDFC Securities.

Nitin Agarwal, IDFC Securities Limited, Research Division - Analyst [132]

Mani, on the other expenses, how should we look at other expenses now going forward? I mean, there's been obviously pretty sharp drop Q-o-Q, partly driven by R&D. Now when you look through the year, how should we model that?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [133]

So Nitin, there are 2 ways to look at it. Obviously, as Jason already explained, that is a key in terms of working on the cost-reduction programs. So that's having some benefit. But more importantly, obviously, as the year ramps up, we do see some increase in this other expenses because, as we go through the year and as we start increasing our marketing spend, we'll definitely see some increase in this.

Operator [134]

We would take the next question from the line of Prashant Nair from Citigroup.

Prashant Nair, Citigroup Inc, Research Division - Associate Director of India Equity Research [135]

Can you give a sense of where you expect your net debt to be by the end of this fiscal?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [136]

So Prashant, obviously, the stated objectives that we would go -- or work towards reducing it from the -- as the year goes by, we can't put a number to it, but definitely, the business will be cash accretive like last year. And we'll definitely look towards reducing it on a cash flow basis.

Prashant Nair, Citigroup Inc, Research Division - Associate Director of India Equity Research [137]

Okay. And can you just share your outlook for this year's CapEx and effective tax rate?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [138]

The effective tax rate will be somewhere between -- I mean, about 27, a little higher than that and...

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [139]

As far as the CapEx goes...

Jason D'souza, Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications [140]

The CapEx goes -- as we've said -- discussed, Prashant, it's (inaudible) both tangible and intangible.

Operator [141]

We take the next question from the line of Harith Mohammed from Spark Capital.

Harith Ahamed Mohammed, Spark Capital Advisors (India) Private Limited, Research Division - VP [142]

First, by just looking at your North American business, you ended FY '18 at around INR 400 crores of revenues from that geography. And we've seen some volatility in that business over the years. So where do you see this business from a growth and margin perspective in the next 3 years? We've seen some of your peers also facing challenges in terms of scaling up their businesses in this geography. So will this be a potential candidate for a divestiture or for bringing in a partner?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [143]

So I think Latin America for us continues to grow at 15% to 20%, right, on a constant-currency basis across the different markets where we operate. And we think over the next 3 years, you should see that kind of growth. I think as regards to your question for a potential -- bring in a partner, I don't think, right now, there's any consideration towards that. So we plan to grow this organically right now.

Harith Ahamed Mohammed, Spark Capital Advisors (India) Private Limited, Research Division - VP [144]

All right. Okay. And this CapEx figure of INR 800 crores to INR 900 crores for FY '19, can you provide some sense of where this spending will be done?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [145]

So this -- Harith, this will include everything. So we have a number of plants in India that are implementing this CapEx. There are some plants that we will [be investing in] from Europe and U.S., as well as there is some CapEx that we put towards the U.S. plant.

Harith Ahamed Mohammed, Spark Capital Advisors (India) Private Limited, Research Division - VP [146]

Okay. And I missed the R&D figures for the quarter. Can you just repeat that, please?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [147]

INR 245 crores.

Operator [148]

We would take the next question from the line of Pavitra Sudhindran from Nomura.

Pavitra Sudhindran, [149]

Can you share with us some cash flow number for the quarter, the operating cash flow, working capital, cash interest, taxes and CapEx, please?

V. S. Mani, Glenmark Pharmaceuticals Limited - President, Global CFO & Executive Director [150]

Yes. So we -- I mean, basically, I'd give you kind of a broad guidance on EBITDA to cash. So we had EBITDA of about INR 347 crores. The cash, the interest was about INR 55 crores. The cash tax was about INR 101 crores. And then the working capital increases had been about INR 103 crores. Asset additions of about INR 190 crores were tangible and intangible. And there is a tax estimate of about INR 10 crores. So broadly, there's about a INR 70 crore, INR 80 crore cash which are basically for working capital. And for the next couple of months, that's coming.

Pavitra Sudhindran, [151]

Got it. One other question is regarding the licensing agreement that you signed for GBR 1302. So how much upfront cash do you expect to realize from this and all the [bygones], if you can share that?

Glenn Mario Saldanha, Glenmark Pharmaceuticals Limited - Chairman, MD & CEO [152]

So we anticipate we'll end up with a high single-digit million dollar number in this quarter from the licensing of 1302.

Operator [153]

Well, ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Jason D'souza for his closing comments.

Jason D'souza, Glenmark Pharmaceuticals Limited - VP of IR, Strategy and Communications [154]

Thanks, Janice. Just before we close the call, a disclaimer. Information statement and analysis made during this call describing the company's objectives, projection and estimates are forward-looking statements and progressive within the meaning of applicable security laws and regulations. The analysis contained herein is based on numerous assumptions. Actual results may vary from those expressed or implied depending upon economic conditions, government policies and other incidental factors. No representation or warranties that are expressed or implied is provided in relation to this presentation. This 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 [155]

Thank you very much. Ladies and gentlemen, on behalf of Glenmark Pharmaceuticals Limited, we conclude today's conference. Thank you all for joining us. You may disconnect your lines now. Thank you.