



“1QFY16 Earnings Conference Call”

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MODERATOR: **ABHISHEK SINGHAL – ANALYST, MACQUARIE CAPITAL**
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Moderator: Ladies and Gentlemen, good day and welcome to Strides Arcolab 1Q FY16 Earnings Conference Call hosted by Macquarie Capital Securities India Private Limited. As a reminder, all participants call will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Singhal from Macquarie Capital Securities. Thank you and over to you Sir.

Abhishek Singhal: Good Evening all, thanks for joining this first quarter conference result earnings call for Strides Arcolab. Today we have the senior management with us. I will hand over the call to Arun to make opening comments. And then we will open the session for question and answers. Over to you Sir.

Arun Kumar: Hi, Good Evening. This is Arun and I have with me my colleagues, Badree, our group CFO and Vikesh who heads the Investor Relations.

So to start off and just to take a little cue from my commentary, this is not necessarily been one of our better quarters. Having said that, this is in line with our overall strategic objectives of version 2.0 at Strides, which is clearly to create a disruptive business model. We have guided investors given the fact that we are in the process of two very significant corporate actions – one the merger with Shasun and the recent acquisition announcement on Arrow Pharmaceuticals which is the Aspen Generic business in Australia. We are focused on integrating and synergizing these businesses. As quarters go by you will see the result of our focus and I would like to believe that longer term financial results will meet expectations.

Overall we did have a slightly small growth in terms of the corresponding quarter of the last financial year. Sequential growth for the first time has been lower compared to last five quarters we have had. This is predominantly to do with our operations in Africa. We got impacted because of the currency challenges in key markets like Nigeria and French Africa led by almost 35% drop on the Naira value and also the Euro issues with the CFA currency in French Africa. We saw a very big gap between our primary sales and our secondary sales in our branded business. So it is predominantly a pipe management which we decided is best to get the inventory levels right before we accelerate again. So this is the first significant quarter when Africa has not grown on a sequential basis.

Consequently, this has impacted our overall performance. Our reported pharma EBITDA of Rs 57 crores, nonetheless, maintains the company EBITDA average of 21%.

R&D is still a focus. We have just ramped up a lot of capacity there. We have added more people and we believe that we will have a filing rate approximately between 15-20 filings this financial year. And then we will get to almost double from there going forward.

As regards our specific businesses – regulated markets have been almost flat but one needs to understand that in Q4 we had two quarters of profit share which was not there in Q3. So adjusted for that there has been an important growth. Vancomycin profits continues in spite of a new launch from Lupin. We still continue to maintain a 55% market share. It has slightly impacted pricing but nothing material. Our typical run rate of profits probably dropped by about 10%, but that is not material and our volumes kept on increasing.

We had a very strong North American first quarter, however Europe was poor. UK was alright. Institutional business representing 35% of our revenues grew 25% with almost a full quarter target of Malaria being achieved. And of course I spoke about the emerging markets; revenues have actually declined in Africa but we think this is just an aberration for the quarter and we are very confident that we will get back on track from this quarter onwards.

Couple of corporate updates – we have received all necessary approvals to now conclude the Australian transaction. We expect the transaction to have the financial closure by Q2 FY-16 and we hope to consolidate the business starting Q3.

As regards the merger with Shasun – our application with the FIPB was rejected. We have issued a press note related to that and that was to do with the FIPB asking us to revert back to them after the high court orders have been issued. We have already received the high court orders from the Chennai High Court but we are still awaiting approvals from Bombay. We expect that to happen within August or latest by end of September when we get the official order in hand after which we believe that in about 6-8 weeks we should have done and dusted the Shasun bit.

The sum of parts – if you look at the total business of Shasun, Strides and Arrow we are tracking quite well. And we are very confident that once we are able to consolidate all these three companies, we would have a very robust performance to demonstrate going forward.

That is the headline brief that I have had for today but I am more than happy to take questions

Manoj Garg:
(Healthco)

First one is on Africa – since you highlight Africa as a source of weakness, can you may be expand it on your commentary on the inventory levels and are we now at normalized levels exiting the quarter and 2) and then on your decision to shift the construction of the manufacturing facility from Malaysia to Bangalore. Can you may be talk about how much time and money this will take you back and then 3) with the Teva Allergan generics deal there should be a number of divested products that the company is only to divest to get the required regulatory clearances, does this represent an opportunity for Strides to step up inorganically in the US?

Arun Kumar:

Thanks Manoj, to answer your first question on inventory in Africa – we believe that we have already normalized our gap between primary and secondary sales in our branded business in spite of exchange issues. Our secondary sales is growing over 40% but it is just that the primary

was growing a little faster than that so we have now normalized and we think that this is a one quarter aberration. It is not going to happen going forward.

To answer your question on the biotech – we decided to relocate the facility to Bangalore for two reasons. One is predominantly the challenges we had in not owning the land in Malaysia and trying to get a plant up and running in time. Two, we were also having difficulties in actually converting the R&D grants that the Malaysian government had provided to us as an incentive to a working agreement in terms of what components of R&D were covered in our reimbursement program. When we did this sum of part analysis and the fact that we could build the facility much faster in Bangalore, we took this very challenging decision on our biotech division to bring back the project to India. Just to give you a further insight here, even if the biotech project had started six months ago as originally planned and none of our clinical batches would have been produced in Malaysia, we are still using a European CMO for our Phase-III batch production which will go through this last quarter of this year. So it does not impact any of our licensing or development strategy, so in all it was a holistic decision to bring it back to India which made commercial sense.

The last question Manoj on Teva-Allergan, we believe that any consolidation be it Teva-Allergan or Hikma transaction will bring in significant opportunities for companies like us, in to acquire certain products that may come to the divestment. This is something we will keep looking at. It is not something we have pursued aggressively but given all the consolidation, we believe these opportunities will come up. Being a fairly nascent player in the US market, we would be in a position to acquire a basket of products rather than cherry picking which I would like to believe would be more interesting for these companies in the interest of time to close transactions. So yes, the answer to your questions is yes we would look at this as an opportunity.

Manoj Garg:
(Healthco)

Okay that is very helpful and then may be just one follow up for Badree. May be you can give us some sense of Fx impact on the quarter given that substantial portion of the revenue is originating in the US and going forward, should we expect a general strengthening dollar to give you a little bump on your reported revenues?

Badree Komandur:

On the current quarter results, we had taken proactively the forward covers and we had gains flowing into the operating performance. Second one is in terms of the future, we have already covered up partially for early next year in terms of the forward covers at rates of about 65+, so we are in the money, however it will be subject to mark to markets at various periods of time. We follow the cash flow hedges and we are sticking to a Forex policy of covering about 75% of net exports.

Prakash Agarwal:
(Axis Capital)

Sir if you could just help us break up; your revenue is a key line items like India, Africa, US, Europe; Malaria?

- Arun Kumar:** We do not do that Prakash, we do not give individual business units, and then it becomes too complicated to run a business.
- Prakash Agarwal:** But when you say, say US has strong performance, so would that mean both Y-o-Y, Q-o-Q, US run rate has been moving up move, is happening?
(Axis Capital)
- Arun Kumar:** I mean to be honest, North America is a very small size, so on that scale we have been having sequential growth, quarter-on-quarter and that momentum is continuing within this quarter.
- Prakash Agarwal:** Ok because what I was trying to understand the Combivir launch has that inched up in terms of some market share gains and some revenue already started?
(Axis Capital)
- Arun Kumar:** Yes it has.
- Prakash Agarwal:** Ok and the follow up on the Europe actually, if I see Europe closely, it is because of the Euro or there has been some issue with the tenders or the demand?
(Axis Capital)
- Arun Kumar:** Just that you understand Prakash, we do not sell in Europe directly, we only license products in Europe with our IP staying with us. We only sell in the UK market under our front end. UK is going strong and that is more to do with the competitive landscape or some of our key competitors having regulatory challenges and also all this bio study issues have created additional opportunities in UK. In Europe it is more to do with our partners businesses getting impacted and less demand as a consequence.
- Prakash Agarwal:** And looking at India, Africa which is our emerging market, clearly you talked about Africa seeing some headwind in terms of inventory levels and currency issues but I was assuming India with the purchase of a brand from Bafna, you would show the run rate, positive run rate, is that happened in India?
(Axis Capital)
- Arun Kumar:** So, India has not impacted us as much we have had challenges in Africa. In Africa, the size and the scale of the drop was very significant. In India it is not impacted so Raricap is doing very well. And in India the gap between primary and secondary is very marginal, it is better than industry average. So, we are very comfortable with Indian operations but do not forget it is a very suboptimal business in size. But in Africa the gap was big because of transit time and logistics. We tend to have slightly larger primary stocking, which is now being corrected like I mentioned in my opening.
- Prakash Agarwal:** But would the understanding be not correct that currency issues likely to be there for the remaining of the year on a Y-o-Y front? So, in terms of Africa sales coming back what is giving us confidence?
(Axis Capital)

- Arun Kumar:** Well you see branded business in Africa is not so much impacted by the demand from the retail or from the consumer, it is more with the stocking that we do through our European distributors. So, it is also to do with how they react in terms of how much primary they will maintain. Typically we work with French distributors in Africa and they have a very unique system of a gap between primary and secondary and rightly so and it is more an internal matter between the distributor and us and little to do with sentiments of demand because the secondary sale, has grown very significantly in Africa even in the last quarter. It is only the primary sale that has a temporary impact.
- Prakash Agarwal:** (Axis Capital) Okay, understood so you are saying that gap has normalized and you expect the growth to be back to the 20-30 levels, percentage level that you have seen in the past?
- Arun Kumar:** Correct.
- Prakash Agarwal:** (Axis Capital) Okay, and sir one more on the EBITDA numbers, if I am looking at the press release that you have given, which talks about 533 and if I add back the biotech spend, it is about 572, just trying to understand the P&L that we get from the BSE that is clearly a different number, so Badree if you could help us explain, what you are adding back on the EBITDA?
- Badree Komandur:** As far as the press release goes, you have to add three numbers, one is whatever is reflected in the P&L, we have to add back some portions of operating income from other income, it is more a disclosure rather than a non-operating item. So to the reported EBITDA add Rs.18 crores of depreciation, and another Rs. 16 crores is pertaining to exchange, other income. So, cumulatively it will come to about Rs. 53 crores.
- Kartik Mehta:** (ICICI Securities) Yes, just 2 things, first from the book keeping side, what is the tax rate that we should assume, on a consolidated basis the tax rate has been increasing but it is still 30%, is there a number that we should have on this Badree, just if something you can
- Badree Komandur:** As far as the tax rates are concerned, in this current quarter we had redeemed some Mutual Funds and we had paid taxes on those amounts, on an absolute level, the tax rates will remain in the range of 16-20%. It is on the operating performance.
- Kartik Mehta:** (ICICI Securities) Yes, Arun if, so on the Australian acquisition, is there some amount of debt that we have, so we have an arrangement and if yes, what is the quantum and the interest rate that I should assume?
- Arun Kumar:** Well post the two transactions, we will end up having about \$300 million of debt, between \$275 million and \$300 million and our cost to money will be about 5% for this acquisition.
- Kartik Mehta:** (ICICI Securities) Okay and you expect this to be consolidated in Q3 of this FY16, right? Is that the right assumption I am asking for Australia?

- Arun Kumar:** Yes and Shasun is already consolidated from Q1, I mean technically but we have to wait for the court merger to combine it.
- Kartik Mehta:**
(ICICI Securities) So, is there a date we can have from the court, it is just pending with actually one of the court so, is there some advice that we have from the lawyers and if this does get delayed, so it has been delayed because FIPB issue, so how much is the overall delay in the synergies that you would have thought you would get in FY17 or 18 assuming that we do not have control over the company, or is my understanding right?
- Arun Kumar:** No, firstly the delays in the merger is nothing to do with FIPB, it is to do with the court process. The FIPB has told us that come to us after the court process is done, other than that they had no comments on the merger. So, the Chennai High Court has already completed the merger process, the Bombay high Court is meeting on 14th of August for the final hearing. We hope to receive, it typically takes about 6 weeks after that for the courts to issue the official order, after which only we can go to FIPB. And then the FIPB typically takes 2-3 months to get the approval. So, we do not think it will happen before the end of the year that will be a safe bet, November, December will be a good bet. If you look at Shasun's report, the reported numbers which have come in today, some of the overall strategic directions that the two companies are taking are already reflecting, there are things that we cannot do and there are things we can do and all the things that we can do is already creating a positive influence on the Shasun numbers as it is reflected in their numbers that have been declared today.
- Hitesh Mahida:**
(Antique Stock Broking) Sir couple of queries, one is the Institutional business which has sort of seen quarter-on-quarter decline last quarter and it has sort of been flat quarter-on-quarter, this quarter as well, so I mean with IPCA having its own problems with the WHO, still we have not seen any major jump in our sales as far as this Institutional business is concerned. So, is it primarily because of anti-malarial business being flat or is it the other anti-HIV and all being flat?
- Arun Kumar:** So, let me tell you this Hitesh, is that anti-malarial business has hit its full quarter of sales for the quarter. So, we have guided the market our anti-malarial business is close to about Rs. 200 crores because that is all we have won contractually. We do not believe that whatever has been awarded to IPCA has been reassigned to other players in this business. So to answer your question specifically, we did see a dip in our anti-retroviral business and that is why even though Africa which is our highest performing business in terms of margins had a poor quarter, our company EBITDA still remains the same because anti-malarias obviously operates at a higher margin. So, we had actually a very good quarter in Institutional business from a malaria perspective, a poor performance in terms of the anti-retrovirals.
- Hitesh Mahida:**
(Antique Stock Broking) Okay and as far as domestic business is concerned, has there been any ramp up in Sofosbuvir sales which we had launched?
- Arun Kumar:** Not from Strides.

- Dheeresh Pathak:** (Goldman Sachs) Sir if you can just briefly talk about Stelis, what they are developing because pardon my ignorance, I am not fully up-to-date in what opportunity they are pursuing?
- Arun Kumar:** As a policy the company does not disclose its products.
- Dheeresh Pathak:** (Goldman Sachs) Not the product, just broadly what you are trying to do there?
- Arun Kumar:** We do not do any Mabs. We do what is called Biobetter. So we take existing biosimilar products, improve the strength, quality and improve the yields and therefore create affordability and increase market coverage. We have two products, both are in Phase-I, one of them will go in Phase-III by the end of this fiscal. We have already submitted and received approvals for our clinical protocols from major regulatory agencies, mainly the European agencies and our clinical trial will start for one of our molecules in the fourth quarter of this financial year and we expect filings. It takes about 18 months for us to complete the clinical trial from one of these products. The other product is a Biobetter but it is a device where we expect on an accelerated review process because it is a very unique drug and we believe that would be a drug that will get in to licensing potential as early as Q3 of the next financial year.
- Dheeresh Pathak:** (Goldman Sachs) Till then, whatever spends you are doing, the bill will be footed by Strides, right? Is there some partnership that you have entered into?
- Arun Kumar:** Not yet, because we do not want to get into a licensing deal at this stage. One of the products is definitely licensable but we want to do it at a little later stage. So we are now footing the bill, which is what we guided that we will spend close to about \$40 million and we have reserved cash for that before we distributed dividends to shareholders.
- Dheeresh Pathak:** (Goldman Sachs) And current run-rate is about 4 crores per quarter, right?
- Arun Kumar:** That is right, yes. It will start stepping up now.
- Dheeresh Pathak:** (Goldman Sachs) The other question is to Badree, has there been some restatement of the segmental revenues, the way you disclose it in your press release as regulated markets and other because the June 2014 numbers that I have are slightly different numbers, so ...
- Badree Komandur:** Yes, it is for one of the segments Beltapharm, Italy. We had grouped it under the regulated markets earlier and now it is put in emerging markets.
- Arun Kumar:** Can I just give you a little background on that; Beltapharm is the Italian division of Strides, which is FDA approved but it only manufactures on a contractual manufacturing basis, CMO

basis for Strides group; one product addresses the business for Beltapharm, all their businesses although they are in Europe are only in emerging markets.

Dheeresh Pathak: Sir I am still confused that why you moved it to the emerging market, de-classified it from the (Goldman Sachs) June quarter 2.

Arun Kumar: The plant manufactures only one product, where the sale of that product in the US is less than \$200,000 a year, rest of their business almost, 99% of their business is in emerging markets. So, we have re-grouped that in the emerging market business.

Dheeresh Pathak: Understood. And just you were explaining Badree, that there is some adjustment that you have (Goldman Sachs) to do to get to the EBITDA reported in the press release. Can you just explain that again for my benefit?

Badree Komandur: Yes, so what you see in the press release in terms of the consolidated results, you have to see the EBITDA, which is about Rs. 18.8 crores, this is reflected in the financials, you have to add back depreciation which is about Rs. 18 crores, that is what the total linked to about Rs. 37 crores. And some portion of the operating income is sitting in the other income. It is more as a part of the disclosure that is about Rs. 16 crores.

Dheeresh Pathak: That is a big amount, can you talk little bit what that is? (Goldman Sachs)

Badree Komandur: That pertains predominantly to the exchange which we have booked in the current quarter. The exchange is about upwards of about Rs. (+8) crores which we got.

Dheeresh Pathak: Rs. 7 crores is clear, Rs. 16 crores is what you are saying is sitting in other income which would (Goldman Sachs) actually be part of EBITDA, you are saying is related to exchange forex.

Badree Komandur: Yes about, foreign exchange benefit of upwards of Rs. (+8) crores, plus other operating income, which we receive as a part of the transition services, plus there are also few other operational receipts and all of that; we classify it there.

Dheeresh Pathak: But why do you not put it in other operating income? (Goldman Sachs)

Badree Komandur: No, see what happens technically is, this is how the current Schedule-6 works in India. So that is the reason we take it here but for press purposes, we take it in various lines.

Chirag Dagli: What is our R&D spent today, in absolute rupees million? (HDFC Mutual Fund)

- Badree Komandur:** R&D spend is about Rs. 12.6 crores for this quarter and this is made up of Rs. 40 million of biotech and Rs. 86 million in Pharma business.
- Chirag Dagli:** And Sir, how does this change post the merger of the two entities?
(HDFC Mutual Fund)
- Arun Kumar:** The R&D spend is expected to be about \$20 million on a combined entity run rate.
- Chirag Dagli:** This starts kicking in from next year onwards, when you really scale up your filings from current 15-20 to 35-40 kind.
(HDFC Mutual Fund)
- Arun Kumar:** It starts reflecting from Q3 because we need to have completed multiple work related to filings because we need 6 months' data to make filing. So it will start peaking actually from next quarter. So, if you add the 2 companies, combined we will have this run rate of about filing and dollars per quarter.
- Chirag Dagli:** But this also includes what Shasun is currently possibly already doing.
(HDFC Mutual Fund)
- Arun Kumar:** Correct.
- Chirag Dagli:** So, that is not really incremental per se.
(HDFC Mutual Fund)
- Arun Kumar:** No, but this does not include the Biotech spend.
- Chirag Dagli:** And Sir, any thoughts on the front-end in the US, we are trying to scale up filings big time. So any thoughts on when do you think you would be ready with front-end in a meaningful manner?
(HDFC Mutual Fund)
- Arun Kumar:** Since a year, Strides is already front-ended. We have front end our product ourselves, we do not partner any more except for one product, which was partnered for many years. We have been selling under our own label, we have our own sales and marketing operation, so it is already there since a year.
- Chirag Dagli:** But this is like a full scaled up operations, as in can it handle the kind of products that we are trying to develop, you know, eventually all of these products can be sold through this?
(HDFC Mutual Fund)
- Arun Kumar:** Yes absolutely. So, I mean in the US you do not need too many people to run a business or rather you need the same amount of people run a business which is 500 million or 25 million. After that, you probably need more logistics and other support. So, we already have all that in structure.
- Chirag Dagli:** That spend is already there in the baseline as well, okay, fair point.
(HDFC Mutual Fund)

- Prakash Agarwal:** (Axis Capital) Sir just wanted to understand Australia little better since you have spent more time with the asset now. So, we talked about that the PBS, the headwind which we would be or we understand or we would be able to cope up with about 200-300 bips kind of dent. Does that still remains or you would have any update on the same?
- Arun Kumar:** Post more intense access to data in the diligence package, we are now very confident that PBS impact will not be more than 3% and portfolio maximization and manufacturing transition to India would more than make up for that. So, we are consistent with what we told you Prakash when we met that we do not see any additional impact on the PBS.
- Prakash Agarwal:** (Axis Capital) And this synergy benefits we should expect in next 12 months to come because TGA is very quick to respond, is that the right understanding?
- Arun Kumar:** Yes, you are right in that understanding. 9 to 12 months is what we are saying.
- Kartik Mehta:** (ICICI Securities) Just trying to mainly understand again, so even if you have to look at your company 2, 3 years down the line with Australia, Shasun, Africa, you have these operations which are in India and also Institutional business. So, which of this pie will be volume generator and which of this will be EBITDA generators. Can you just may be help us on that because you seem to mention that you do not want to be looked as, when it says in your press release also that quarter is around something where you would want us to look at? So, if you have to take a longer term and everything is consolidated amongst these 2 acquired businesses in what you are building now. How should we look at this pie, if you can just help us on that Sir?
- Arun Kumar:** Sure, so once we, just to give you a little flavor on what the company looks like once the merger is completed and the integration happens or with Arrow in Australia. We will have 4 business divisions – the regulated markets, emerging markets, Institutional, and the PSAI business which is the pharmaceutical services and active pharmaceutical ingredients. So, let us take PSAI, which is our smallest business that will include the legacy API business of Shasun and the CRAMS business of Shasun. We are now developing approximately 15 DMFs per year at Shasun but they will all be integrated to our own ANDA development. We will not be selling any more APIs. So, that will be our smallest division and our smallest profit contributor because APIs do not make enough money. We think that will change with all the regulatory landscape changing in the world in terms of API supply is also getting impacted. The other business is Institutional. Currently we have about \$70 million. This could move in volume because of the integration with Shasun on the API manufacturing and we like to believe that because of Malaria we will still be able to maintain EBITDA levels of what we are currently operating at. And that is more to do with the integration with the API. The two big elements of our business would be the emerging market where Africa, the branded business and the “In-Africa, for-Africa” strategy will continue to be aggressive, local manufacturing, local infrastructure, and locally leadership. We believe Africa would be a very significant part of our business. India would grow. We are doing a few

accretive transactions, India will grow but it will not be an important part. South-East Asia and Russia and CIS are the other markets where we have now commenced operations. So, this will be an important part – both in terms of sales and profits. Our regulated market has got three legs to it predominantly USA, UK, and Australia. In US, we are focusing on developing only niche products when we talk about niche, we are looking at - can we develop smaller products which are unmet, integrated with API manufacturing with Shasun and develop portfolio of products where margins are high, examples of being Methoxsalen, Vancomycin where we have been consistently delivering in excess of \$3 million of profits per product even if the sale is only 5 million. So that is the idea, can increase a lot more of that, the answer is yes. And if we had a portfolio of products around it, almost 80% of our new filings will meet this criteria. So there will be a lot of filings in the next 3 to 4 years which will add up to this number. Australia is exactly the opposite of the US strategy, we have 21% of the market, and that 21% of the market is only with about 70% of the portfolio that we have in Australia. In the next 12 months that portfolio maximization will take us to 100% of all products that is marketed as a generic in Australia and by default we continue to achieve 21% because of our dominant leadership position in Australia. So in Australia we want to be what a very large generic company in the US is and the US is what we want to be is, only a niche player. So, the reg market portfolio will have a very nice mix of top line and significant EBITDA, so that I hope answers your question.

Kartik Mehta:
(ICICI Securities)

Just to ask, is there any market, like you mentioned, in India you are looking at asset, so is there any other market where you are looking at assets amongst the ones where you existing are there now or is there a new market which you are looking at as in interest strategy probably somewhere in Europe, etc.?

Arun Kumar:

Europe is not in our scheme of things an important area of focus, neither is Latin America for Strides but just to add all what has been spoken here, if there are divestments of assets in US, we would be interested, if there are accretive transactions in Africa which will add to creating presence in areas that we are not currently strong like East Africa, we will work on that but there would be no big ticket transactions like the one we are now on Australia.

Kartik Mehta:
(ICICI Securities)

And even in India, is that you would want to do will be equal to the once which you just had been acquired or will that be larger?

Arun Kumar:

No, it will not be larger Kartik.

Jagdish Bhanushali:

Wanted to understand, do we have any soft gel filings in US?

Arun Kumar:

We do have several and many of them are commercialized.

Jagdish Bhanushali:

Okay and how many are in pipeline?

Arun Kumar:

Every single prescription soft gelatin that is currently commercialized is either approved or filed,

- Jagdish Bhanushali:** Okay and wanted to understand, the USFDA had conducted any inspection on our facilities, recently?
- Arun Kumar:** All facilities of Strides and Shasun have been inspected and approved and EIRs have been issued for all plants in the last 6 months. All our 5 facilities in the group has been inspected and approved in the last 6 months.
- Dheeresh Pathak:** You talked about soft gel; you know Rx product all being either filed, approved, or commercialized, what about OTC products like Ibuprofen soft gel?
(Goldman Sachs)
- Arun Kumar:** Ibuprofen soft gel is also filed, which we expect approval very soon.
- Dheeresh Pathak:** The OTC, not the Rx.
(Goldman Sachs)
- Arun Kumar:** Both.
- Dheeresh Pathak:** And that will be a private label sort for business. If there has been a separate field force presence in US or the current setup that you have in US can this OTC business as well.
(Goldman Sachs)
- Arun Kumar:** We believe that the current setup that we have, somebody is leading our OTC initiative in the US, so we believe we have enough capability and bandwidth to handle both the OTC and Rx opportunities.
- Dheeresh Pathak:** And in terms of the US, you have some say 17 pending approvals, I am not sure how much Shasun has pending approvals. So when we think about FY16, in terms of how many products you will get approved, can you guide us for that as a combined entity?
(Goldman Sachs)
- Arun Kumar:** I wish I could. I think between Shasun and Strides, we have approximately 28 files. We are expecting, I would like to say 3 important approvals this year. And we will have significantly more for the next year.
- Dheeresh Pathak:** And these would be in that category of \$5 million, \$3 million sales and profit category right?
(Goldman Sachs)
- Arun Kumar:** Yes or slightly more.
- Moderator:** Thank you, Ladies and Gentlemen, that was question. I now hand the conference over to Mr. Abhishek Singhal for closing comments. Thank you and over to you sir.
- Abhishek Singhal:** Thank you all for joining in today, thank you very much.
- Arun Kumar:** Thank you.p