

## 13th August 2019

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## Sub: Q1 FY20 - Earnings Call Transcript

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's Q1 FY20 earnings conference call dated 7<sup>th</sup> August 2019. The transcript is also available on the Company's website *i.e. www.cipla.com* under the Investor Information section.

Thank you,

Yours faithfully, For Cipla Limited

Karan Tanna

Associate Director

Corporate Secretarial

Encl: as above



## "Cipla Limited Q1 FY2020 Earnings Conference Call"

## August 07, 2019







ANALYST: MR. CHIRAG TALATI - KOTAK INSTITUTIONAL

**EQUITIES** 

MANAGEMENT: MR. UMANG VOHRA - MANAGING DIRECTOR AND

GLOBAL CHIEF EXECUTIVE OFFICER – CIPLA LIMITED MR. KEDAR UPADHYE - GLOBAL CHIEF FINANCIAL

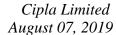
**OFFICER - CIPLA LIMITED** 

Mr. R Ananthanarayanan, Global - Chief

**OPERATING OFFICER - CIPLA LIMITED** 

MR. NAVEEN BANSAL - INVESTOR RELATIONS TEAM -

CIPLA LIMITED



Cipla

Moderator:

Ladies and gentlemen good day and welcome to Cipla Q1 FY2020 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing "\*" then "0" on your touchtone phone. I will now hand the conference over to Mr. Chirag Talati from Kotak Institutional Equities. Thank you, and over to you Sir!

**Chirag Talati:** 

Good evening, everyone. This is Chirag from Kotak Institutional Equities. I thank the Cipla management team for giving us the opportunity to host this call today. From Cipla, we have with us today, Mr. Umang Vohra, MD and Global CEO; Mr. Kedar Upadhye, Global CFO; Mr. R. Ananth, Global COO; and Naveen Bansal from the Investor Relations team. Over to you, Sir!

Naveen Bansal:

Thank you, Chirag. Good evening and a very warm welcome to Cipla Q1 FY2020 earnings call. I am Naveen from the Investor Relations team at Cipla. Let me draw your attention to the factor on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectations of the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our results to differ materially from what is expressed or implied. Cipla does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new confirmations, future events or otherwise.

I would like to request Kedar to take over.

Kedar Upadhye:

Thank you, Naveen, and good evening to all of you. Welcome to our earnings call for the Q1 FY2020. I hope you have received the investor presentation that we have posted on our website. Overall, numbers for the quarter reflect some challenges in the business environment and several one-offs, including some cutoff issues. This quarter saw the impact of change in distribution patterns playing out significantly for our trade generics business in India. This was on expected lines. And as we had planned and commented over the last quarter. This has resulted in the growth in our trade generics business because of this conscious change, which is an impact of about Rs.200 Crores. On the prescription business side in India, we saw deferral of dispatches to July. This is in line with our sales cutoff practices for the quarter. This affected the prescription business year-on-year growth by about 5% point.



On the emerging markets side as well, which quarterly numbers got impacted by the deferral of these dispatches. Part of this was because of the monsoon situation towards the end of June and runway closure at the airport. This will be recovered in the next quarter. Overall, the higher cutoff has deferred sales to an extent about Rs.150 Crores in these two businesses.

In South Africa, while the tender softness got played out as expected, we continued to deliver on our market ranks for a private market business. In the Sub-Saharan region, due to the pending clarity on certain receivables, we took a conscious call to delay acceptance of certain orders, which partly impacted the delivery of the revenues by the region.

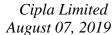
In the U.S., excluding the contribution from Cinacalcet, the base business grew year-on-year. Including the contribution from Cinacalcet, the business has grown impressively by 61% year-on-year. Despite all these challenges and revenue deferrals for the quarter, the performance was benefited by contribution from Cinacalcet, as I mentioned. And hence, the profitability was maintained at very healthy levels with EBITDA growing 25% on a year-on-year basis.

Driven by significant cash flow generation and focused efforts, our net debt-to-equity ratio is now at 0.06. While the quarterly numbers appear subdued because of all these factors, we expect most of this will normalize over the coming couple of quarters. The underlying businesses and the order flow show encouraging signs across our key markets, and we will remain focused to resolve some of these transitory issues.

With that, let me come to some of the financial numbers, overall, income from operations for the quarter is Rs.3989 Crores, which recorded year-over-year growth of 1.3%. Gross margin after material cost stood at 70% for the quarter driven by contribution from Cinacalcet. During the quarter, we maintained tight control on expenses. Total expenses which include employee cost and other expenses stood at about Rs.1888 Crores, which declined 4% on a sequential basis.

Employee cost for this quarter stood at Rs.756 Crores, an increase of 6% largely due to annual increments. Other expenses line, which includes R&D, regulatory, quality, manufacturing and sales promotion expenses are at Rs.1132 Crores, decreased 9% on a sequential basis.

During this quarter, in the other expense line, there is an accrual of about Rs.40 Crores towards delayed collections from a customer. Total R&D investment for this quarter stood at 6.5% of revenues, which is Rs.261 Crores. We expect this to ramp up in the coming quarters in line with the progress of the generic Advair trial and other development





programs. EBITDA for the quarter is about Rs.905 Crores or 23% of sales. Tax charge is about Rs.192 Crores, which is 29% to sales. We're looking at full year effective tax rate of 29% to 30%. As a net result, the profit after tax stood at Rs.478 Crores or 12% of sales.

Today, we also announced that in a mutually agreed and planned transition, Cipla Limited and Eight Roads have signed the definitive agreement for Cipla Limited to acquire the minority stake of Eight Roads in our consumer health care subsidiary. Thereby giving Cipla Limited 100% ownership interest of the Cipla Health Limited. This development comes in view of Cipla's growing focus on consumer-facing products and the high potential of synergy between CHL and Cipla in-house portfolios.

Our long-term debt is at USD 550 million, which was mainly used to fund the InvaGen acquisition about 3 years back and rand 100 million for the acquisition done for Mirren's assets in South Africa. We also have working capital was over USD 19 million and South African rand 320 million which act as natural hedges towards the receivables. Total net debt to equity, as I mentioned, is about 0.06. Outstanding forward contract as a hedge for receivables as of June 30 are \$175 million and South African rand 567 million.

During the quarter, we also hedged a certain portion of our forecasted export revenues. The outstanding forward contracts and options as cash flow hedges as of June 30 are USD 147 million and rand 285 million.

With this, I would now like to invite Umang to present the business and operational performance.

**Umang Vohra:** 

Thank you, Kedar. Though this quarter had multiple transitory impacts playing out in most of our markets, I believe the fundamental strength of our business remains strong.

Let me highlight some key milestones we achieved this quarter in line with our long-term aspiration of building multiple levers for growth:

One, secondary performance in private markets.

Cipla India continues strong secondary performance across key therapies, outpacing the market significantly in Respiratory and Cardiology. IQVIA MAT numbers suggest that they are growing in both therapies at 14%, which is significantly higher than market. South Africa private business continues to outpace the market. It grew by over 2x the market at 7.3%. On the U.S. generic side, Cinacalcet continued to drive significant growth in the market. We also received two approvals this quarter in Ambrisentan and Pregabalin. Excluding Cinacalcet, our base business also showed respectable growth versus the previous Q1FY19. Our respiratory trials continue to be on-track for generic Advair.



On the specialty business, as you would have read in our press release, Cipla acquired the rights to Zemdri which is IV form of Plazomicin from Achaogen in a Chapter 11, U.S. Bankruptcy Code Auction of the Achaogen assets. Zemdri is in approved product in the U.S. and will be Cipla's first commercial specialty asset; we believe this transaction will have strong commercial synergies with IV Tramadol, which showed positive results in the Phase III trial. Cipla has been a leading industry voice in the fight against Anti-Microbial Resistance and Zemdri further underscores Cipla's commitment to the stewardship.

Consumer business is a growth driver for us, and our consolidation of this business is an indication of that. Starting this quarter, as Kedar mentioned, our transaction with Eight Roads, the consumer business will see significant amounts of interest and effort in the consumerization story in India.

On the emerging markets side, we have signed definitive agreement to form a manufacturing JV and opened our office in China. China is a crucial part of our future emerging market roadmap, and we are at a critical juncture in establishing a respiratory franchise in the market. We will also explore routes to add oncology products to our portfolio in the future. Despite all this volatility, the profitability for the quarter was maintained at healthy levels.

Let us move to the detailed business performance now. In India, for the quarter, the business reported a year-on-year decline of 12%. This decline was due to our change of distributors in the generic side of our business. As we had guided in the last call, this is a result of a conscious call taken to prepare our distribution system for the post-GST environment where we normalized our inventory levels and derisked our distributor concentration to maintain the long-term health of the business. We noticed patterns of consolidated buying in the channel, which may have caused disruption, and hence, our actions on channel have led to a derisking of the business. We expect this business to normalize fully in Q3 and get back to healthy growth thereafter.

On the prescription side, we recorded a deferral of dispatches in July in accordance with our cutoff procedures of almost Rs.60 Crores, impacting the business growth by 5% points. On the secondary side, Cipla continued to perform well across key therapeutic areas. Chronic therapies continue to drive a significant share of growth and grew at 14% as per IQVIA versus the 12% market growth. Amongst our key therapies in Respiratory, Cipla grew by 14% versus a market growth of 9%. In Cardiology, Cipla grew 18% versus the market growth of 12% in Cardiology. We continue to maintain our leadership position across Respiratory and Urology. Ten of the top 22 brands of Cipla that feature in the top 300 brands in IPM have outpaced the industry growth. Cipla's proprietary breath-actuated inhaler Seroflo, Synchrobreathe has touched Rs.11 Crores in the first year of launch.



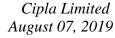
In the SAGA region, which includes South Africa, Sub-Saharan and Cipla Global Access business, our South Africa private market continued its strong secondary sales growth trajectory, growing over two times the market at 7.3% as per IQVIA MAT June '19. The primary growth for the quarter is expected to normalize over the year. The acquired portfolio of Mirren in the OTC space delivered over 10% growth. As mentioned in our earlier call, Cipla South Africa has started delivering the new tender supplies, and hence we expect our tender business to be rebased accordingly in the coming quarters. Outside of South Africa, we have held certain supplies contingent around the visibility of receivables.

In the North America business, including Cinacalcet, the business grew 61% year-on-year to USD 161 million during the quarter. It normalized for the sales of Cinacalcet, the base business also grew year-on-year. The quarter for the approval, as we mentioned, of two assets Ambrisentan and Pregabalin. In line with our strategy to increase share of new launches in Q1 including Cinacalcet, over 45% of the sales were contributed by products launched in the last 12 months, which also led to our gross margin expanding by over 10% points. We are progressing well on our trials for respiratory products and are targeting to file two products in the U.S. this year.

The emerging markets business has recorded one of the highest quarterly run rate in last year Q1 driven by a one-time tender opportunity that we had in Venezuela. Due to this high base of last year, we believe the numbers are not comparable on a year-to-year basis. The quarterly delivery also got impacted by deferral of dispatches to the first week of July on the revenue recognition side and the continuing challenges in the Middle Eastern markets. We continue to watch global developments. Recently, we announced our partnership with Alvotech on Adalimumab for select emerging markets. We also signed another deal to in-licence Etanercept for emerging markets, including the countries of Australia and New Zealand. We expect these to be significant growth drivers in the near term.

On the regulatory front, we received EIR for our Kurkumbh plant which was audited in March. Recently, we were also inspected at our API plant in Virgonagar in Bengaluru. The inspection ended with seven observations none of which are either repeat or related to data integrity. We will respond to the agency within the stipulated time.

To close, we have identified very clear near- to medium-term priorities for our key markets. In India, our focus will be to drive further growth in chronic portfolio and launch key patient-focused initiatives in Respiratory. We are working towards driving improved execution on the acute side by focusing on micro markets. We expect the business to drive above market growth in the rest of the year. On the generic side, post the channel destocking, we believe this business will get back on a growth trajectory by Q3. In South Africa, while the tender business softness will kick in, we believe our private market's





Moderator:

portfolio can deliver significant delta to drive growth in the overall business. And for the U.S. market, we will resume our limited competition launches in Q3 with some meaningful launches coming up.

I would like to thank you for your attention and will request the moderator to open the session for Q&A.

Thank you. We have the first question from the line Saion Mukherjee from Nomura. Please

go ahead.

Saion Mukherjee: On the domestic business, there seems to be a lot of moving parts. Can you just indicate

what is the growth for the promoted business?

**Umang Vohra:** So the promoted business has been impacted by a cutoff of sales. Is this Saion? Yes, Saion.

It has been impacted by cutoff sales because we received higher orders towards the end of the quarter and as per revenue recognition, we have cut it off. I think if you adjust for that, we have shown growth. However, the bigger issue is linked to our Gx business and in the Gx business, we have had almost a churn of over 100 distributors linked to this business because we realized that there was some destabilization happening of our distribution chain. So we have had to churn some distributors, and as a result of that, we have shown the

growth that we have had.

Saion Mukherjee: Yes. I mean Umang if I do rough maths, right, based on whatever numbers you have

disclosed. It seems that the branded generics promoted business has grown in low-single

digits. Would that be a right assessment?

**Umang Vohra**: I think you're roughly there. It has grown in single digits. You are roughly there.

Saion Mukherjee: And I mean any reason for this? Because we are seeing good growth numbers reported by

IQVIA or AIOCD. I mean why is it that the growth in low-single digits adjusted for...?

Umang Vohra: I do not think IQVIA or AIOCD has shown good growth. They have all basically said that

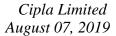
volume growth is 0. Our competitive landscape has also shown high single-digit growth. I do not think we are seeing growth significantly in double digit across the reporting universe. As against that, we are in single digits, may not be high digits. But I think our base is probably a little different than the other, so I would expect us to get back in Q2, Q3.

And then on an YTD basis, I think it would be different.

Saion Mukherjee: Okay and Umang the second question is on the US. So you mentioned in your remarks that

even adjusted for Cinacalcet, there is a growth quarter-on-quarter in the base business. Can

you really take us through like what drove this Q-o-Q improvement in the base and going





forward, how you see Cinacalcet playing out, given that there are more players in the market now?

**Umang Vohra:** So Saion, just to be clear, the growth that we had mentioned was Q1 it was last year Y-o-Y.

So we have seen our base business grow Y-o-Y, and we have seen Cinacalcet grow because it was not there last year. On a quarter-to-quarter basis, we are marginally in line because we have not had any meaningful launches. But the base business is marginally in line with

what we had in the previous quarter.

Saion Mukherjee: Okay and how do you see Cinacalcet going forward?

Umang Vohra: The Cinacalcet is now a competitive market. I do not think we will see the same levels that

we have booked in this quarter.

Saion Mukherjee: Thank you and I will join back.

Moderator: Thank you. We have the next question from the line of Prakash Agarwal from Axis Capital.

Please go ahead.

Prakash Agarwal: I am just trying to understand gross margins better. So since you know the Sensipar,

Cinacalcet is similar, what you mentioned Q-On-Q. So that is it largely due to the trade

generic business going down. Would that be correct understanding?

**Kedar Upadhye**: Yes. There is some benefit of the business mix because the cross-margin of trade generic

business is quite low compared to company average. Also EBITDA is much higher than the company average. So partly it is business mix, partly it is Cinacalcet's contribution. We

should adjust for couple of these factors, Prakash.

Prakash Agarwal: Okay and in your opening remarks, you mentioned Rs.200 Crores trade generic's

realignment, right? So if you add that Rs.200 Crores and Rs.60 Crores, we are getting 4.5%

overall growth for the overall India business?

**Kedar Upadhye**: Yes. I think the two factors for India that we have been commenting: One is the cutoff

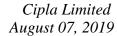
issue, which is about Rs.60 Crores to Rs.80 Crores for India with separate impact on the emerging market business, that is one; and secondly, there is this trade generic impact of

Rs.175 Crores to Rs.200 Crores.

Prakash Agarwal: Yes. So I mean that is what I said. So if we add these two, we are getting 4.5% kind of

growth?

**Umang Vohra**: For overall Cipla level.





Prakash Agarwal: Yes. Overall India business?

Umang Vohra: Yes.

Prakash Agarwal: Yes. Okay. Understood and lastly, on the U.S. business, I would have assumed like in

Q-On-Q, there could be some improvement given the fact that we had a host of launches and you would have a full quarter kind of impact. Would it mean that Sensipar would have Q-On-Q loss sales, given the fact that some pricing, because you said that has normalized and the competition has come in. So while our other base business would have improved,

Sensipar would have come down a bit. Would that be correct understanding?

Umang Vohra: I think, broadly, the Cinanumbers have not changed much between the quarters. I think

what has happened is that the base business is marginally in line and the launches we have seen; they are not what we call limited competition launches. So this quarter, we have not had a limited competition launch, but we are likely to have some of these launches coming up in quarter 3. So we are bunching up a bit together as against last year where we said each

quarter will have a limited competition launch.

Prakash Agarwal: Okay. And your guidance on R&D, 7% to 8% remains, right? I mean because we made a

mention that going forward because of the trials that we want to start, would that be the

correct 7% to 8% guidance still holds?

**Kedar Upadhye**: Yes. That stays, Prakash.

**Prakash Agarwal**: Thanks, I will join the queue.

Moderator: Thank you. We have the next question from the line of Anubhav Agarwal from Credit

Suisse. Please go ahead.

Anubhav Agarwal: Umang, just trying to understand last year, you did about Rs.1420 Crores in trade generics.

Can you do that number this year or will you be short of that?

Umang Vohra: Well, I think we are hoping to show growth. But I think it will largely pan out what happens

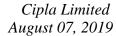
in this quarter, right. And I think this quarter, we are hoping to come back to at least last year levels but it is early days in the quarter, and we are working towards that and if that

happens then I think may not be difficult for us to show growth, quite honestly.

Anubhav Agarwal: And just trying to understand what happened. So as I understand, so were you not getting

the money in time because once you sell this product, you sell it, right? So what do you

mean by destabilization happening and you have to churn this a bit?





**Umang Vohra:** 

Yes. Let me explain that. See, what has happened in India, especially on the generic side, which is a more trade incentivized side, right? That is the generic business. So what happens there is that if the stocks that people are carrying are a different had been obtained by them at different prices and with the GST, they begin to cross sell. And that begins to destabilize the distribution channel. So as a result of that, we have had to churn almost 100 of our distributors who were accounting for a fairly significant share of our business.

**Anubhav Agarwal:** 

And so you are very sure that the, let us say, the stock that the end chemists were carrying was not very significant?

**Umang Vohra**:

No, the chemists don't carry significant stocks in this business at all. It is pretty similar to the Rx side. But you have to imagine that because this business is more tier 3 and tier 4 towns, the trade and the channel carries a lot more stocks than the end chemist because the stocking potential of this business in tier 3, tier 4 sounds far lower. And therefore, what we found was that as the stock buildup was acquired by different distributors at different prices, there was a little bit of instability, a fair amount of instability in the trade channel on account of this.

And then we had to cure this instability because it was beginning to affect the distributors who had genuine demand around the areas that they were selling and that is what we have done. We have almost churned the distribution mix here and this mix will almost contribute in to 50% of our sales and those distributors now, the churn distributors are obviously not with the system. There are new distributors who have come in. And for those distributors to ramp up, it will take time.

Anubhav Agarwal:

Okay. Understood. And one clarity on this Ambrisentan that you got approval. Is this a meaningful product and how much market share it has today?

**Umang Vohra:** 

Unfortunately, not a meaningful product. It is not so many people who have launched, but it is still not a meaningful product.

Kedar Upadhye:

Anubhav, a clarity on your earlier question. I think the growth that we referred to in the generics business will be applicable for subsequent quarters, what we have lost is probably difficult to recover now.

Anubhav Agarwal:

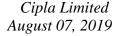
Yes. That is clear. And just get us on that, there are no receivable issues, right? So let us say...?

Kedar Upadhye:

No. In fact, the receivable profile had improved.

Kedar Upadhye:

... as of June is much better than what it was in March.





Moderator:

Thank you. We have the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria:

So just once again, on the India issue. So we are saying Rs.200 Crores that we lost because of the trade generics, is essentially destocking. And now we are hoping that this normalizes with the churn in the distributors?

**Umang Vohra:** 

No. I do not think we are saying it is destocking, Neha. It is a lot more than that. The generic business is a business that fundamentally works through channels and trade. So it is a business where the velocity of what you put in is impacted. If you do not put in anything, there is no velocity in the business, right?

Now in this business because it is very difficult to estimate the demand coming out of tier 3 and tier 4 cities, the way the demand is satisfied is through what exists in the channel. What had happened in this business is as it is not so much about destocking. It is that different distributors over the year have been sitting at a different acquisition price and so even if the inventory levels are, perhaps, normal, there was instability in the chain because GST has removed friction cost on how goods can move through the city.

So today sitting there, I could be buying goods that have been sold in Bengal or buying goods that are being sold in Kerala. And if I am sitting here, pharma distributor, my margins are always not high to do a trade business, right? The entire distribution trade business in stockist level happens at 10% margin, right?

So I think there is an issue with just the different price points that were existing in this market as well as, perhaps, you are right and a fair amount of stock level that were there on this side of the business. So we have had to effectively, what we had to do is bring the stock levels down so that the incentive and make sure that the stocks which were lying at different price points are liquidated in the market. So that going forward, there is not too much of this instability that can be a caused in the distribution chain.

Neha Manpuria:

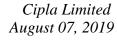
Okay. Understood. Sir, if I look at the entire India Rx business in that case. That business, on a normalized basis, can still grow double digits?

**Umang Vohra:** 

It can grow. It can grow, and we are wanting it to get there. And hopefully in Q2, we will be there.

Neha Manpuria:

Okay. And my second question is on EM. We also saw deferral of dispatches there. If I heard your opening comment correctly, it was due to some rains towards the end of June. So it is fair to assume that this is not related to any supply disruption or any issue on the manufacturing front. Would that be correct?





**Kedar Upadhye**: Correct, Neha. So it is not linked to any manufacturing or quality challenges. This was

especially the deliveries got bunched up towards the last week of June, and we faced the

monsoon issue and runway closure, etc. So I think we will recover this in Q2.

Neha Manpuria: Okay. And sorry, on South Africa, once again, the private market should that normalize

from Q2 or would it take a couple of quarters for us to normalize the private market

performance?

**Kedar Upadhye**: Neha, private market performance is expected to normalize in Q2.

Neha Manpuria: Okay. Thank you so much.

Moderator: Thank you. We have the next question from the line of Nimish Mehta from Research Delta

Advisors. Please go ahead.

Nimish Mehta: I am trying to understand more on the domestic business, you mentioned that the pricing of

the product was different for so many products, which is what you are trying to churn. So can I know the reason why were the pricesdifferent because like must be from the source of it, so how did it happen to be different? That is one. Second, now that distribution has been

churned out, how will this be ramped up in future?

**Kedar Upadhye**: Nimish, the issue was not pricing.

Umang Vohra Just to clarify, the MRP is always the same for every product. It is never different. So the

MRP does not change. The cost at which distributors pick up this product depends on which

quarter, which distributor has bought because this is a trade business, right

So therefore sometimes in the quarter, the prices that distributors are buying are different

and as a result of that, there is instability in pricing environment. That is what we meant.

The MRP is never different. The MRP is always the final MRP that goes to the patient.

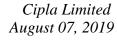
**Nimish Mehta:** But the realization to the company, also remain same or that is different?

**Umang Vohra**: That can change depending on it is like an incentive or a bonus you give, that is like a bonus

slab, it is like an incentive slab.

Nimish Mehta: Okay. So this going forward, we will not do it again? I mean the kind of bonus incentive

that might be different?





Umang Vohra: No. This business always has bonus. This business is always a trade business. So it has

incentivization to the trade. It is just that because of the fact that the GST environment created this amount of stress that there is this no friction cost in terms of goods moving across, which is why this has happened and going forward, it is our intention to bring this level of stocking down in the market so that people are not sitting also with different price

points.

Nimish Mehta: Okay and about the ramp up, do you think this will happen because the distributors have

gone. I do not know how will that be replaced and...?

Umang Vohra: So I think what has happened is that there is a churn in distributors. So the new distributors

will take up time to ramp up because they have to also pick and sell into their pockets. The old distributors have taken down their stock levels because we have not invoiced anything to them right now. We are invoicing to the new people, so which is why the new people we

want to only invoice after the stock levels are fairly down in the market.

Nimish Mehta: Okay. I understood and lastly, on the U.S. side, last quarter or maybe some time back we

had received the approval for Depo-Provera injection. I guess it has yet not been launched

so I mean what is the reason it is not launched please correct?

Umang Vohra: I think it is linked to our capacity in one of our units, which also manufactures another

product for us in the hormonal space. So we are hopeful that as we build up enough stock of

the other hormonal product that we will eventually get around to launching Medroxy.

Nimish Mehta: When completed, do you expect a launch time and is it an important assest, I mean I am

asking you...?

**Umang Vohra**: It is an important asset, but so is the other asset that we have in the marketplace.

Nimish Mehta: Any timeline you can provide for launch of this product?

Umang Vohra: I am not sure we want to comment on that right now, please.

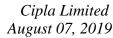
Nimish Mehta: Okay, thank you.

Moderator: Thank you. We have the next question from the line of Kunal Dhamesha from SBI Capital.

Please go ahead.

**Kunal Dhamesha:** So first question is on the domestic market. So we have suffered Rs.60-80 Crore impact on

the branded business that has happened in this quarter. So that should come back in Q2?





Kedar Upadhye:

And then the trade generic business would the ramp up gradually, is this what we are seeing?

And then secondly, on emerging markets, do you do this deferral of shipments? How much revenue was impacted, which is expected to come back in Q2?

Kunal, both the revenues are accounting cutoff, they will get booked in Q2 in respective

regions.

**Kunal Dhamesha**: Okay. Okay. So for emerging market, how much was the revenue impact because of the

deferral I think I missed it commentary?

**Kedar Upadhye**: So, about \$14 million in emerging markets.

Kunal Dhamesha: Okay. Okay. Sir, Branded business would come back Rs.60 Crores to Rs.80 Crores and

trade generic would gradually ramp up?

**Kedar Upadhye**: Correct. That's correct Kunal.

Kunal Dhamesha: Okay. Thank you.

Moderator: Thank you. We have the next question from the line of Abhishek Sharma from IIFL. Please

go ahead.

Abhishek Sharma: Just a couple more on the trade generics thing. Just wanted to understand, was there any

front-loading in terms of your distributors loading up on stock before they went out in the

system?

Kedar Upadhye: Abhishek, the kind of visibility that we have into secondary and consumption for a

prescription business, we do not have that for the trade generic business. So it is very difficult to answer your question. What we are estimating is by virtue of churn in the distributors that we have empanelled now. There is that destocking which is happening

now. It is very difficult to answer your question whether there is a front-loading. We do not

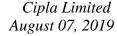
believe so. But since we do not have visibility, we do not want to comment on it.

**Umang Vohra:** On the back end of our business, we don't believe so because when we look at four quarters

in the past on the generic business, we don't think that there is a front loading as per one quarter or two quarters. It is not like that. There is a pattern of predictability in this business. But it is very difficult to say I think the problem is really the churn in the distributors

because, obviously, in one quarter, we have not invoiced almost 100 distributors and that is

the issue.





Abhishek Sharma:

Yes. I got that part. And I was also wondering, in terms of distribution depth, since you said tier 3, tier 4, and is there enough distributor depth in terms of you being able to switch from one distributor to the other, because many of these would have grown with you. They have become bigger now. They would have been smaller earlier. And you would now be starting with smaller guys. So what is their ability to sort of penetrate the market that you are in?

**Umang Vohra**:

That is a good question. It is this trade is also linked to the financial credibility and capability of a new distributor. So I think that is where you are going. That is a good question. I think that is the reason why we are saying that we probably think that only in Q3, we will begin to see growth in this business. But your question is addressing exactly the root here, which is saying that if the older distributors had grown with you, a new one will not immediately take their place. So I think where you are going is correct.

Abhishek Sharma:

And the ones which have churned out, they will essentially move to other trade generic suppliers and is it fair to assume that they would pose some sort of a competition to you?

**Umang Vohra**:

Yes. They were already see, most of these also stock multiple company's products. They just do not stock Cipla's in the tier 3 and tier 4 cities. They are either already other players or they will get there. So I think we have taken this call depending and looking at the business practices that they had. But I think this is where we are.

Abhishek Sharma:

Got it Sir. Thank you.

Moderator:

Thank you. We have the next question from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra:

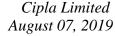
A couple of things. In fact, on the U.S. business front, since there is a likelihood of that we would be seeing a meaningful decline in the Sensipar revenue next quarter onwards and also you have indicated that there are a couple of potential important products launches that you would be seeing in the subsequent quarters, so any growth outlook that you would like to share here for the U.S. business?

**Kedar Upadhye**:

Surya, I think your observation on Cinacalcet is right. I think there have been multiple competitive launches. So the pricing is set to a level where the usual competitive generic product gets to. So you should expect a significant drop in Cinacalcet revenue in Q2 onwards. As far as base business is concerned, we would not like to comment at this stage. Our attempt would be to get back to what we were delivering earlier, grow in-line.

Surya Patra:

Okay. Regarding the margin scenario, so like this quarter margin, obviously, it is benefited because of the kind of a better product mix, better market mix and all that. So this seems like a kind of big quarter for the year possibly. And subsequently, the impact because of the





kind of again reversal of the business in the emerging market as well as in the trade market or the generic market that we would be seeing. So what should be the kind of margin scenario that you're building for the subsequent period then?

Kedar Upadhye:

Surya, there are several moving parts, as you know. I think you could certainly factor normalization of Cinacalcet, normalizing on the business mix. One good thing is the emerging market which is of highest gross margin geography for us. That will come back because of the steady cut-off scenario. I think these 3-4 moving parts, you should model based on this three, four moving parts.

Surya Patra:

Okay. Just on the AS-116. So any meaningful impact that you have seen in the other expenses in this quarter?

Kedar Upadhye:

These are referring to leasing standard, EBITDA has gone up by about Rs.25 Crores, but the PAT is lower than it would have been by about Rs.5 Crores. Overall, PAT level we are talking about.

Surya Patra:

Thanks a lot Sir.

Moderator:

Thank you. We have the next question from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

Ujwal Shah:

Just wanted to know a sense about the limited competition drugs that you mentioned. So are we expecting two or three products to get bunched up in Q3. Is that what you were trying to indicate?

R Ananth:

So we expect that to be in Q3, Q4.

Ujwal Shah:

Q3, Q4?

R Ananth:

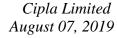
Yes.

Ujwal Shah:

Okay. Sir, and a bit more on the emerging markets. How are you seeing the scenario, especially in the Middle East, considering that we have been having some issues over there for quite some time and that has been impacting the performance over there. Do we see that emerging market growth rates to improve in the coming quarters for the normalized business or do we see challenges to persist over there?

R Ananth:

So we continue to see geopolitical challenges in the Middle East region. At this point, it is difficult to predict what it would be Q3 or Q4. We keep a close watch, and we are hopeful but at this point, difficult to comment on. It is challenging.





Ujwal Shah: Sure. Sir, and in terms of SAGA business, Sir, considering we have been outgrowing the

market on the private side and Mirren also growing at around 10%. Do you think these are a bit softer numbers for this quarter? Or do you assume that this is more of a normalized rate

that we should figure in going forward?

**Umang Vohra**: These are softer numbers. This quarter is very soft quarter for SAGA.

**Ujwal Shah**: Any particular reason for it, Sir?

**Umang Vohra:** No. I think because the tender versus the private, it is linked to the tender offtake versus the

private market progress and how they offset each other.

Ujwal Shah: Sure. Sir, lastly on our API business, a lot of people are now focusing more on the API side

and considering for us also, it is one of the best margin businesses, what is the outlook for

API business? Are we trying to focus more on that piece going forward?

R Ananth: So API continues to be equally important part of our business. There is no specific

additional focus. It continues to be important. It is a good business. And we are doing pretty good with some of the lock-ins with customers on the products. It will continue to grow the

way currently it is growing.

**Ujwal Shah**: Sure. Thanks a lot. That is all from my side.

Moderator: Thank you. We have the next question from the line of Nitin Agarwal from IDFC

Securities. Please go ahead.

Nitin Agarwal: Sir on this specialty product that you acquired in the U.S.? How should we look about the

commercialization aspect of it going forward? I mean are we going to do it ourselves? What

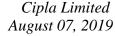
kind of cost does it entail? Can you start with that, please?

Umang Vohra: No. So I think we are going to likely consolidate this with Tramadol because we have two

assets, (a) it is already commercial. The asset is already commercial. We are running it in a KAM model right now, Key Account Management model. So product is continuing to reach the trade, right. And we have made provision for that. However, if we really want to grow this product, we will be launching it along with Tramadol pretty soon in the next one year or so, little more than a year, by end of next year. And we will be making plans for that

and that will entail a field force, etc., that we will need to build up.

**Nitin Agarwal**: And currently, does it have any meaningful revenues, this product?





**Umang Vohra:** 

No. Currently, the revenues are not meaningful. It has just been launched.

Nitin Agarwal:

And when you look at the other aspects of our specialty portfolio, can you sort of help us understand what is the broader sort of thought process in terms of, there any specific therapy areas we are looking at because most of other companies that you have seen have been either be moving away from specialty? Or they have pretty defined focus on the therapies they are looking to focus on? And how are we looking at our specialty strategy in the U.S. now?

**Umang Vohra**:

So we have two areas that we are pretty bullish about. The first is on the inhaled delivery of certain drugs, whether they are antifungals or they are antibiotics, etc because Cipla believes that on respiratory and inhaled delivery, we are distinctive compared to some of the other players. So that is one area, which is why we have the asset, we have partnered an asset called Pulmazole, which is an inhaled Itraconazole that goes to the lungs for a disease called Aspergillosis. So that is the first. Second is on institution. We are trying to look at that as a channel. So I think that therapy agnostic, we could be selling an antibiotic, we could be selling also a drug which is used for pain like Tramadol. Both of those now are in our pipeline, both Tramadol and Zemdri. And here the institution is the customer as against the therapy or a doctor, right. So those are the ones that then we have CNS category, which we still have 1 asset in. We are looking at what we can do in that space. So we have these three as shortlist for our specialty journey.

Nitin Agarwal:

Okay. Thanks and so if our commercialization aspect, you said it is going to be about a year, more like FY2021, second half or thereabouts where that costs will begin to come through?

**Umang Vohra:** 

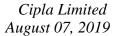
That is right. And that is more only on the institutional side because on the other ones we are still far away from a perspective of an approval.

Nitin Agarwal:

Right and secondly, on the consumer health business, just keen to understand what was the reason for buying out the minority partner at this stage? And what value would they have added really speaking for ourselves over the last 3, 4 years, have been around? Frankly given our scale and size, getting a partner, financial consideration would have been the issue for us, right, in terms of getting a partner onboard?

**Umang Vohra:** 

Yes. I think first of all; I think the outcome is a good outcome for both. I think Cipla sees a fair amount of potential in the consumer side of the portfolio and quite honestly, some of those products are available with us and I think it us not as if this consumer business will now go out and get to new products and buy these products from outside. They could also expand the list of products that are available in the Cipla stable. So I think that is the reason





why we have taken this bet on consumer, and we believe the timing is right for this, considering the potential and the synergy of this business with the main Cipla business.

Moderator: Thank you. We have the next question from the line of Krishnendu Shah from Quantum

Mutual Fund. Please go ahead.

**Krishnendu Shah**: Just a small understanding from business point of view. This is about our Indian business,

tender business just in the immediate two years back, drugs had a shelf life were 1-1/2, 2 years. So just trying to understand why the whole stocking, maybe I am missing something.

If you can just give me some explanation about the whole thought process, please?

**Umang Vohra:** See, the trade business in India and actually distribution in India has changed significantly

in the last 1 to 1-1/2 years. You have aggregators who are buying on account of the e-pharmacies, you have aggregators who are buying for major hospital groups and then you have consolidators. So you have consolidators buying from main groups. And then you have aggregators. And also the number of distributors coming in and out of this chain is also the volatility of that has increased. Now if you look at a branded prescription business, we don't have this impact there. This is not on the branded prescription business. The impact is more on the generic business, which goes through many hands and many chains in the tier 3 and tier 4 cities. So it is not like the branded business where you will sell here now and it will reach the stockiest and distributors in metros, etc. So it is not a one-stop chain. This is a multiple stock chain when we go to tier 3 and tier 4 cities. So that is the reason, because of the GST, because of this there has been a full churn in the trade both in terms of transparency, both in terms of even other items in terms of how sustainable these people

are. Because credit is also a big issue in these parts of India. So the whole chain has gone through a churn. What we noticed was that that some part of our distribution chain was effectively destabilizing the rest. And that is the decision we have taken to not deal with a

few of these people. That is our decision.

**Krishnendu Shah**: So would it entail some stock write-off or it is like, no?

**Umang Vohra:** We do not expect any stock write-off. We do not expect any receivables issue to impact

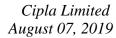
that. In fact, as Kedar mentioned, our receivable situation is a lot better. Our stock position is a lot better. So we do not expect any of that impact here. It is just a conscious decision to

move away from a few distributors who we thought were destabilizing our market.

Krishnendu Shah: Okay. Fine. Thank you. Just on the US front you elicited the fact that three or two launches,

could you attribute a market size to that, please?

**Umang Vohra**: I mean they are not meaningful.





**Krishnendu Shah**: A small player, two players or three player market would that be right?

**Umang Vohra**: Yes. There are two, three players, but I think there is a fair amount of pricing that is eroded

in each of those market segments.

**Krishnendu Shah**: Fine Sir. Thank you very much.

Moderator: Thank you. We have the next question from the line of Shyam Srinivasan from Goldman

Sachs. Please go ahead.

Shyam Srinivasan: First question on some of the remarks made. Umang, I think you talked about the Indian

domestic market, and excluding on the trade part is still growing very slow. What do you think from the industry perspective, what is the reason for this slow growth, like 6%, 7%?

Umang Vohra: Look, I can give a guess, but most industry people are, you will probably be more...the

answer would be more refined, if you pick it from multiple people but let me see it from our lens. Okay, so we have a Rs.1 lakh Crore market. If you look at what has happened in the recent two years or three years, there is Jan Aushadhi, which is a scheme run by the government, they are reporting about \$50 million. So at the equivalent pricing, that \$50 million in our side of the trade is almost close to, let us say, about Rs.2500 Crores to Rs.3000 Crores, right? So that is 3% of the market now where some growth is coming from. Then if you look at all the e-pharmacies and the buying groups that have emerged for hospitals and otherwise, that is another, in my belief, roughly about Rs.3000 Crores to Rs.5000 Crores. So you have had almost Rs.8000 Crores to Rs.9000 Crores worth of buying pattern that has changed in the industry which otherwise was an industry that was growing at 10%. Some of this has been substitution demand. Some of this has come because the

industry is not growing faster. It is growing at the same pace. In fact, it is probably slowed down. The impact of this is going to be felt on the regular retail trade, right? And that is the impact we are seeing. So our analysis is that there is growth in the industry, but it is coming

from different pockets now in different sources of buying than from before. So that

however, most of these comments are for the branded prescription buying market, it is not for the generic. The generic is at a different thing, and we have explained that earlier. So

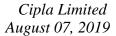
this is the branded side. So that is why growth, if you were asking me why growth is slowing, I think growth is slowing as a result of this, and it will possibly take a while for the

trade to stabilize, both in terms of pharmacies to mature and how they buy as well as from a

perspective of the Jan Aushadhi and how quickly it expands.

Shyam Srinivasan: So I think the government has talked about increasing this Jan Aushadhi. Do you think the

threat will remain at least in the next...?





**Umang Vohra**:

So I think right now, the entire impact of all of this is coming in the last two, three quarters. So if you look at AOICD or at the IMS numbers, I think they are showing that volume growth is slowing. So I think there is impact of this right now but I do think that the industry will still afford a fairly significant volume growth. May not be as high as the 14%, 16% growth that we used to see, but I would not be surprised if the industry can continue to grow at 8%, 10%.

Shyam Srinivasan:

Sure. And my second question is on, I think, Europe. Now two quarters in a row, we have seen good growth. I think you have given comments in the presentation about FPSM actually must be increasing market share. So what is the outlook on the European business? And yes, you can help with that?

R Ananth:

So it will continue. I think you are right. We are seeing good trend and market share pick up. We are very optimistic about it that will continue.

**Shyam Srinivasan:** 

Okay. And my last question is on the China JV. If you can share us what are your plans there, why now? Is it because of all the CFDA changes that are happening? And how meaningful could China be for us, say, three, five years?

R Ananth:

Yes. I think China will be very meaningful for us in three, five years. And yes, with all the changes that are happening, I think it is the right time for us to be looking at China. And respiratory is an area where we feel we have a strong advantage. The Chinese market brings in a huge potential there as well as oncology. So it is important that we are able to set up the right manufacturing capability in China to cater to the Chinese requirements.

Shyam Srinivasan:

Just one followup here. Some of the challenges that one has noticed in China so far has been getting approvals and long approval times. Some of the products have taken four, five years to get approval. These are old files obviously. But have you seen anything changing meaningfully from an approval time line or some commitments from the FDA there that this is going to be shorter?

R Ananth:

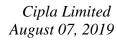
So I think there is a positive movement from the CFDA to make it move faster. But more importantly, there will be certainly advantages in being able to file from China using a Chinese facility. And that is one of the reasons why for us the timing is right now.

Shyam Srinivasan:

Got it. Thank you and all the best.

Moderator:

Thank you. We have the next question from the line of Vishal Sharma from Nirmal Bang. Please go ahead.





Vishal Sharma: With regard to the China market, would you need to do local bioequivalence trials there for

your drugs to get approval?

**Kedar Upadhye**: Could you repeat your question, please?

Vishal Sharma: With regard to the China market, would you need to do local bioequivalence trials there?

**Kedar Upadhye**: We will have to evaluate the regulatory guidance, mostly likely, yes.

**Kedar Upadhye**: I think he is asking do we have to do local bioequivalence studies?

R Ananth: Yes. We have to do local bioequivalence. There are requirements that come up for the

products there and obviously, we need to do it and meet those.

Vishal Sharma: Sir, does that mean the filing timelines can be stretched from one to two years from now?

R Ananth: So we are continuing to file from India while continuing to set up this facility, make

registration batches and file from there. So it will be continuum from here. And then as the

facility gets ready there, they will do the registration batches and file from there.

Vishal Sharma: Okay and second, with regard to the trade generic market in India, has the overall

distributor strength gone up to the expected size?

**Kedar Upadhye:** Yes. Our eventual attempt would be to not link it with the number of distributors, but

reduce, avoid the concentration. I think that is the key issue that we are facing.

**Vishal Sharma**: So overall distributor strength remains the same? Is that correct?

**Kedar Upadhye**: More or less, yes.

Vishal Sharma: Okay. And lastly, there is an increase in noncontrolling interest, Could you explain that?

significant increase

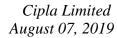
**Kedar Upadhye**: Is that in P&L?

Vishal Sharma: Yes.

Kedar Upadhye: As you know we have two, three associates where we accrue the profit or loss for the

respective business. So in some of those businesses, there have been a movement in this

quarter.





Vishal Sharma: For this quarter, the non-controlling interest is almost as much as for the last full year?

**Kedar Upadhye**: Yes. So it is unlikely that it will recur. We would likely to believe that is one-time

pertaining to a transaction during the quarter.

**Vishal Sharma:** Thanks. That is all from my side.

Moderator: Thank you. We have the next question from the line of Ritika Agarwal from Quest

Investments. Please go ahead.

Ritika Agarwal: Sir like you explained to the previous participant that the prescription growth is now

coming down for the branded segment. And we have challenges in the Gx segment as well, which will be expected to normalize by Q3. So overall, India business, how do we see

growth for this year and the next two years?

**Kedar Upadhye**: Some of these issues with especially cutoff and the generics distribution chain are transitory

in nature, okay? That is what we clarified. We are quite hopeful of the overall India business, the trade generics or prescription business trajectory. The key question is, is it

double-digit percentage at a market level or is it 8% to 10%. I think let us watch out for.

Ritika Agarwal: Okay. Okay. Sir, my second question would be on the South Africa SAGA piece? So any

clarity on what is the price increase allowed for the private market for FY2020, which is 1%

in FY2019?

**Kedar Upadhye**: It is more or less at the same level, Ritika. The percentage price increase allowed for private

market is significantly getting moderated over the years. At one time, it was beyond 5%.

Now this is not beyond 1%.

Ritika Agarwal: So, it is similar levels to FY2019 is what you are.... Okay Sir. Sir secondly, so in this

quarter, we saw CGA business again coming down by 38% and SAGA by 17%, so how are

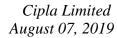
we seeing for the full year of SAGA piece and the next two years' growth?

**Kedar Upadhye:** So I think it depends on the flow of orders for global access business. It is difficult to

comment as a full year trend, but I think the business has got rebased, especially for pricing, so all the triple combinations that we used to sell in the past, the pricing has got significantly rebased. So I think that is a permanent shaving-off which has happened, and that we should model for the full year. Volume-wise, I think we are keen that if it meets to

our profitability threshold, we will continue to participate in the global fund business.

**Ritika Agarwal**: Right. Sir, for the SAGA, how are you seeing the full year and the next two, three years?





**Kedar Upadhye**: So I think SAGA, there are two factors. Private market business, some of the challenges we

said this quarter is our unusual softness. We hope that comes back from Q2 onwards. The tender business this year is the end of the 3-year cycle, and that is what we have alluded in the past that after the 3-year cycle gets over, you would give a price discount, which we have given but we have been able to retain our volume market share in the tender market.

Ritika Agarwal: Sir, would we be able to do flat for SAGA market for FY2020 like said in earlier calls?

**Kedar Upadhye**: We avoid giving precise financial guidance. Let us take it quarter-by-quarter.

Ritika Agarwal: Sure. Sir, my last question would be on the Zemdri product that Cipla has acquired from

Achaogen. So any idea on how many more products we are looking at an approximate size so as to nullify the additional spend for field force for Tramadol or is this product enough

for us for that additional spend?

**Kedar Upadhye**: Yes. As of now, for the institutional business, we believe this is enough but we could keep

scanning for the opportunity. It is very tough to comment how many more products we

could get for the institutional business; we would like to get that business to scale.

Ritika Agarwal: Sir also any number or any guide, any direction for how much can Zemdri be for us like

what would the potential peak sales or something would be?

**Kedar Upadhye**: Ritika, we would not, at this stage, like to comment on the potential of the product.

**Ritika Agarwal**: Thank you so much. All the best for the future.

**Moderator**: Thank you. We have the next question from the line of Neha Manpuria from JP Morgan.

Please go ahead.

**Neha Manpuria**: My question has been answered, thank you.

Moderator: Thank you. We have the next question from the line of Charulata Gaidhani from Dalal &

Broacha. Please go ahead.

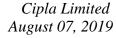
Moderator: Thank you. We have the next question from the line of Charulata Gaidhani from Dalal &

Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to India generics. How much is the contribution of generics to India

business?

**Kedar Upadhye**: Charulata for the last full year, it was around 22%, 23%. This quarter, it is 16%.





Charulata Gaidhani: Okay and how much is chronic in India?

Kedar Upadhye: It is I mean depending upon the classification methodology of IMS, it is about half-half

each for us.

**Charulata Gaidhani**: Okay and how big is the field force?

**Kedar Upadhye**: In total, the number of medical representatives is about 6500.

Charulata Gaidhani: Okay. Right. My second question pertains to the progress of Advair trials. Can you throw

some light on that?

**R Ananth**: They are on track. It continues to progress, and we are on track.

**Charulata Gaidhani**: Okay. By when do you expect some data?

**Umang Vohra**: We are likely to file this asset at the end of this fiscal year.

**Charulata Gaidhani**: Okay. Fine and also, one last question, have the tender supplies for ARVs begun?

Umang Vohra: Yes. They are on constantly and I think it is being going on for a while, but they are far

significantly lower prices right now than before.

**Charulata Gaidhani**: Okay. So would be impacting profitability?

**Umang Vohra**: I think it is baked into our numbers already.

Charulata Gaidhani: Okay. Fine thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. I

would like to hand the floor back to the management for closing comments. Please go

ahead, Sir.

Naveen Bansal: Thank you everyone for joining us on the call today. In case, you have any follow-on

questions, you can reach out to myself or write us at <a href="mailto:investor.relations@cipla.com">investor.relations@cipla.com</a>. Thank

you so much, and have a very good evening.

Moderator: Thank you, gentlemen. Ladies and gentlemen, on behalf of Kotak Institutional Equities, that

concludes this conference. Thank you for joining us and you may now disconnect your line.