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15th November, 2021

The Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. <i>Scrip Code: 539523</i>	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East , Mumbai 400 051. <i>Scrip Symbol: ALKEM</i>
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Dear Sirs,

Sub: Q2 FY2022 - Earnings Conference Call Transcript

We enclose herewith the transcript of the “Q2 FY2022 Earnings Conference Call” which was hosted by the Company on Friday, 12th November, 2021.

The said transcript shall also be made available on the website of the Company.

Kindly take the same on record.

Sincerely,
For **Alkem Laboratories Limited**

Manish Narang
President – Legal, Company Secretary & Compliance Officer

Encl: a/a



“Alkem Laboratories
Q2 FY2022 Earnings Conference Call”

November 12, 2021



ANALYST: **MR. TUSHAR MANUDHANE – MOTILAL OSWAL
FINANCIAL SECURITIES LIMITED**

MANAGEMENT: **MR. SANDEEP SINGH – MANAGING DIRECTOR –
ALKEM LABORATORIES**
**MR. RAJESH DUBEY – CHIEF FINANCIAL OFFICER -
ALKEM LABORATORIES**
**MR. AMIT GHARE – PRESIDENT (INTERNATIONAL
BUSINESS) - ALKEM LABORATORIES**
**MR. YOGESH KAUSHAL - PRESIDENT CHRONIC
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**MR. GAGAN BORANA – INVESTOR RELATIONS -
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Moderator: Ladies and gentlemen, good day and welcome to the Alkem Laboratories Q2 FY2022 earnings conference call hosted by Motilal Oswal Financial Services 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 an operator by pressing “*” then “1” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services Limited. Thank you and over to you Sir!

Tushar Manudhane: Thanks Faizan. Welcome to 2Q FY2022 earnings call of Alkem Laboratories. From the management side, we have Mr. Sandeep Singh, Managing Director, Mr. Rajesh Dubey, Chief Financial Officer, Mr. Amit Ghare, President International Business, Mr. Yogesh Kaushal, President Chronic Division and Mr. Gagan Borana from Investor Relations. Over to you Gagan for the opening remarks!

Gagan Borana: Thank you, Tushar. Good evening everyone and thank you for joining us today for Alkem Laboratories Q2 FY2022 earnings call. Earlier during the day we have released our financial results and investor presentation and the same are also posted on our website. Hope you have had a chance to look at it. To discuss the business performance and outlook going forward we have on this call the senior management team of Alkem. Before I proceed with this call I would like to remind everyone that this call is being recorded and the call transcript would be made available on our website as well. I would also like to add that today’s discussion may include forward-looking statements and the same must be viewed in conjunction with the risks that our business faces. After the end of this call if any of your queries remain unanswered please feel free to get in touch with me. With this I would like to hand over the call to Mr. Sandeep Singh to present the key highlights of the quarter gone by and strategy going forward. Over to you Sir!

Sandeep Singh: Thank you Gagan. Thanks a lot. Good evening everyone. I would like to thank all of you for joining us today for our second quarter earnings call.

Q2 FY2022 has been a healthy quarter for the company during this quarter and for the company year-on-year as well. Year-on-year revenue growth of about 18% and net profit grew by 15%. During the quarter we also generated healthy cash flows which have helped us further strengthen our balance sheet with net cash position of about 1150 Crores as on September 30, 2021.

Talking about our India business it registered a growth of close to 26% year-on-year during the quarter and 43% for the half year, which was basically driven by strong volume led growth in acute therapy areas of anti-infectives, vitamins, minerals and nutrients, pain management and gastro as well. Most of our large mega brands continue to outperform in the respective markets thereby maintaining their leading positions. Our chronic portfolio also delivered a market beating performance with an increase in market share and improvement in market rankings. Our growth rate in chronic therapy areas of neuro, derma and anti-diabetes was more than 30% for the first half of the year as per IQVIA data which is more than doubled the therapy growth rate. Our trade



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generic business also grew well in the quarter thereby carrying on the momentum of the last financial year. During the quarter we launched our Pulmocare division with focus to improve our presence in the respiratory segment.

Moving onto international business, our US business with quarterly sales of \$83 million was almost flat year-on-year and quarter-on-quarter. The significant pricing pressure what we have witnessed in our base portfolio was largely offset by new product launches which included limited competition products like Ibuprofen plus Famotidine. During the quarter we filed six ANDAs with USFDA and we received 7 approvals. Apart from the US our other international businesses delivered a robust year-on-year growth of 27% with good performance in Australia, Chile and UK.

Updating on our progress in biosimilar segment, during the quarter we launched two products in India market Denosumab and Romisplostim and have plan to further expand our portfolio going ahead. We have also make a good progress towards taking some of these products to regulated markets over the next five years which would be the key to unlocking our potential in the biosimilar segment.

In terms of regulatory inspections during the quarter we had a remote and virtual USFDA inspection of our bioequivalent centre at Taloja which was successfully closed without any observation. Also all our manufacturing facilities supplying to the US with the exception of St Louis has an EIR as on date. Our new manufacturing facility in Indore is awaiting pre-approval inspection by the USFDA. With this I would like to open the floor for Q&A. Thank you for listening.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Saion Mukherjee from Nomura. Please go ahead.

Saion Mukherjee:

Thanks and good evening. Sandeep can you throw some light on the India business how should we think about growth see last quarter had a lot of acute demand because of COVID I would assume that would have come down but still the overall revenue has been strong so is there a seasonal pickup that happened this quarter how do you read it, if I look at from a two-year CAGR basis it is just about 12% growth which also is looks like a normalized growth rate so should we assume low double digit kind of a growth now if you can give some color and also you mentioned about trade generics how large is that as percentage of your revenues now?

Sandeep Singh:

There are like few questions on that so I will answer one by one. The first part is that yes there was some seasonality to it but also we had added people last year, we had restructured large divisions if you recollect especially of our large mega brands so all that is playing out well, unfortunately last year because of whatever impact we have seen and play out but we laid the ground stone, so therefore I think the growth has also come because we are gaining market share it is not just with tailwinds and good seasonality and how we should look at it going forward I think you are completely right and we cannot expect it to have the same growth rate which we



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have had in this H1 so overall I think we continue that we should look at a growth of 12% to 15% mid teens or early teens we have already maintained that I think that continues to be our guidance going forward on that.

Saion Mukherjee: The trade generic segment yes Sandeep so I understand last year it has grown the segment grew faster than your domestic business how was the growth this year and this quarter so far and what percentage of revenues is now coming from trade generics?

Sandeep Singh: I think this year also the trade generics has grown very well it is in line or slightly higher than the domestic business and the percentage continues to be the same percentage it was last year and last quarter so it is excess of around 15% it is close to that.

Saion Mukherjee: Just one another question if I can ask on the other international markets there seem to be some step up in growth is there any one time sale that is there what is happening in that market we are kind of closing on 200 Crores a quarter so if you can throw some color on the dynamics in the ROW or international markets?

Sandeep Singh: Sure I will hand it to Amit Ghare to comment on that.

Amit Ghare: Thank you Sandeep. Saion there are no one time sales there it is a combination of four or five key markets that we operate in Australia, Chile, Europe, Philippines and Kazakhstan, these are predominantly dominated, but to answer your basic question that on the onetime sales there and you would have noticed that in the first quarter and the second quarter the sales are fairly similar.

Saion Mukherjee: Thank you I will join back. Thank you.

Moderator: Thank you. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.

Nimish Mehta: Thanks for the opportunity. I actually missed out the initial comments I am not sure whether you have covered, but one I wanted to know the reason for very high other expense both for YoY, QoQ if I understand right and second I also wanted to know what has been the base business erosion in the US business excluding launches in this last quarter?

Sandeep Singh: Yes, Mr. Dubey you can take the first part and Mr. Amit Ghare can take the second part.

Rajesh Dubey: Sure. So other expenses if you compare with last year's Q2 yes definitely it is on higher side because last year it was just 17%, 18% of revenue but last year it was not normalized kind of quarter, overall this Q2 is somewhere close to 95% normalized so I think the other expenses leaving pandemic period and the pandemic impacted time I think we are in our range only, generally our other expenses is in the range of 23%, 25% and we are 22.5% this time so I think we are within the range because our marketing expenditure and all these now it has come on normal position.



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- Nimish Mehta:** I was looking at the absolute figure which is probably the highest in so many quarters maybe 8 or 12 quarters.
- Rajesh Dubey:** So if you see absolute figure also last year's Q2 it was 420 Crores now it is around 620 Crores but last year's 420 Crores we cannot categorize this as a normal kind of expenditure under other expenses because marketing expenses as you know last year it was not totally normal.
- Nimish Mehta:** Just a little bit question on that in Q4 for example we did I think roughly 550 Crores and in there you mentioned that it is a little higher because we were preparing for some of the launches, etc., etc., in other words we were under the impression that 550 even the higher price now 623 is much higher than that so that was the reason, so should we consider 20 as normal range going forward something like that will continue being incurred in this quarter?
- Rajesh Dubey:** Yes, between 23% to 25% of revenue is normal range for other expenses and that is normal if you see our history.
- Nimish Mehta:** On the US?
- Gagan Borana:** We are just looking at the absolute number looking at a percentage would make more sense because it has a percentage to sales some good part of this expenses is related to sales so as sales goes up in absolute terms the absolute cost will also go up so I think you should look at percentage term rather than absolute number.
- Nimish Mehta:** Sure, Sir I understand and on the US business revenue that will be helpful?
- Amit Ghare:** On the US business as we have reported we are about 2.5% down year-on-year on Q2 and the primary reason for that has been price deflation which is in higher single digit for us almost pushing to the 8%, 9% levels on overall portfolio basis, this has also led to some kind of market share losses in unit terms rather so that has kind of multiplied and obviously we have not been able to cover all of these or both of these losses through our new products and that is basically the reason for where we stand.
- Nimish Mehta:** Your comment on gross margin would be helpful this quarter it is 200 basis points higher than what it used to be, generally we are in the range of 60% I think now we are in the range of 62% again it was sustainable because we are under the impression that the raw material price would actually have a negative impact in the gross margin that seems to be a positive impact?
- Rajesh Dubey:** Yes, you said very correct and this time gross margin we have advantage and our gross margins on higher side 62.2% basically when you have better domestic sales because that is having better gross margin so that is one impact and in domestic also our product mix what we sold it was on better side so both these it has impacted it bettered our gross margin. Yes in US NRV impact is there but in US we have positive impact on COGS so that also it has given the advantage to us as well as in US we sold products having better margins. So all this put together around 1.8% or



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1.9% kind of advantage we got in gross margins this time. As far as gross margin going forward I think you must be knowing API prices now lot of pressure is going on there so it is going to be quite challenging, second half it will be quite challenging for most of the pharmaceutical company but I think we have various levers with us and definitely we are going to try to normalize whatever impact we are going to have on material front and our expectation will be somewhere in the range of 60% kind of for the year.

Nimish Mehta: Understood. Thank you very much.

Moderator: Thank you. The next question is from the line of Kunal Randeria from Edelweiss. Please go ahead.

Kunal Randeria: Thanks for the opportunity. Sir my question regarding the US so I believe we have got 12 approvals in the first half of the year so if you can just let us know how many have we launched in the US and what is the expectation how many are you expecting it to launch in second half of the year?

Amit Ghare: Of the 12 we had two tentatives obviously so those are obviously from launch perspective I think after remaining spend we have been able to launch 8 of 10 so far so that is the answer to your first question, what was your second question?

Kunal Randeria: How many approvals and launches can we expect in the second half of the year?

Amit Ghare: So I give you the answer so far and the two other which were approved we launched those also so that certainly will make it to 10, by the end of the year we are hoping that we launch at least 12 so we are expecting three to four more launches for the remaining four months.

Kunal Randeria: Sure and any kind of limited competition expectation?

Amit Ghare: Not really.

Kunal Randeria: Sir my second question is on the domestic business your turnaround has been very strong but now that COVID largely behind and assuming there is no third wave so would you like to call out any other therapies or brands that may see a slowdown because it had benefited a lot during COVID?

Sandeep Singh: Yes, so this is I think this built up on the first question of Saion and I am happy to answer it. So yes because of COVID I think we had certain obviously tailwinds and coming out of the low base last year so I think there might be some slowdown in nutritions and multivitamins and things like that or maybe even antibiotics because this time the doctors did prescribe a lot of antibiotics also if we are in secondary infections so there might be a slowdown but we do not see a dramatic kind of a shift downwards because I think we are very good to have this growth rate



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of what we maintain like mid teens kind of so yes nutritions might see some slowdown but again might not be very, very significant honestly.

Kunal Randeria: Just one more if I can squeeze in. Sir tax rate was fairly low in the quarter so the reason behind it the expectation for FY2022 and for 2023 that would be very helpful?

Rajesh Dubey: Yes you are very right for the quarter it looks on very lower side but actually we need to see the effective tax rate for the year so earlier our guidance was tax rate between 13% to 15% kind of as we are talking actually we have better domestic sale and domestic sale around 65% to 70% we cater from our Sikkim plant which is having fiscal benefit so that profit is exempted from tax and that is the reason why it has changed the dynamics of effective tax for entire year and now we are revising our effective tax rate guidance for the year from 13% to 15% now our new guidance is close to 10% to 11% and since in our Q1 normal tax hit has gone because by that time situation was not very clear so impact of YTD it has come in Q2 and that is the reason why we see 4% kind of effective tax in Q2, but when you see half year it is somewhere close to 9%.

Amit Ghare: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Prakash from Axis Capital. Please go ahead.

Prakash: My first question is a clarification so I think Sandeep mentioned that there have been lot of initiatives in adding people, restructuring mega brands, etc., apart from the seasonality and some of the COVID benefits that has come through so having that initiatives taken do we say that obviously that high growth is behind us but as one of the participants also said 10%, 12% growth is still doable given you have seen growth across the new launches, the chronic, etc. would that be a fair thing to expect?

Sandeep Singh: The first answer is yes but you mean to say about the balance of the year, for the full year, next year what is your question?

Prakash: Second half of the year.

Sandeep Singh: Yes, for sure definitely for both of them but I was just clarifying yes we can maintain that very well.

Prakash: You mentioned share is 15% plus or the growth is 15% or both are 15%?

Sandeep Singh: Both obviously because I said the growth is in line with our domestic business was slightly higher.

Prakash: Given the very strong cash flow that we are doing for the last two years now and the cash pileup of more than 1000 plus Crores and with the backdrop that many chronic side especially diabetes there are lot of brands getting off patented they would be available for sale one of the companies



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in the morning call said that we would be buying few of the brands so what is our strategy in terms of like chronic where we are growing very healthily, but on a very small base are we open to buying some other brands?

Sandeep Singh: Yes we are open to buy and acquire some brands but I just think the likelihood of it happening I would still say low because we are conservative we do not like overpay I am not saying that others overpay but we are pretty cautious so I would not count on that completely I think we maintain that we will grow our business organically what we have done chronic business grown by 30% in this quarter even though it is in a low base but again I had mentioned that we have started to do very well in some of the segments and Yogesh maybe can throw some light on it if required, but I am not sure whether that is a part of your question but we have done well in some of the launches we have done so we are not desperate to acquire something honestly on the chronic side.

Prakash: How do you plan further on the chronic side obviously on a lower base we are growing very strongly?

Sandeep Singh: We will not acquire most likely will not we are looking on to get something on valuation which we think is make sense to us we will but we will continue to be aggressive on the chronic side we have some green shoots visible in the last one year and Yogesh would comment on that but we are doing extremely well, we might add a few people here and there next year but I think we are doing good. Yogesh you want to comment on that.

Yogesh Kaushal: Sandeep you rightly said that post patent all those brands which are coming out of patent may not be a good business proposition because the prices go down by almost one fifth or one fourth of the original price so buying those brands instead as you rightly said that we have aggressive approach towards launching those molecules and make them big instead of acquiring others and then do a firefighting and managing those base which is going to slow down by at least one fourth of the original cost so instead you launch those molecules and make them big and we have demonstrated this in last couple of years so we are pretty confident that all these molecules we will launch in diabetes and cardiac areas and make them big that is our approach so as Sandeep said organic will be our way of developing chronic business.

Prakash: Prefect great helpful and last question for Dubey Ji he mentioned about good gross margins on sales mix and product mix in US, sales mix higher in India and also cautioned on going forward raw material and all those costs which are increasing but on the EBITDA front since we are talking about double digit growth also we had good launches in the US do we maintain our 20% to 21% margin guidance or despite the beat is there a scope for increase?

Rajesh Dubey: Yes, Prakash you are on dot I was expecting this question from your side. So EBITDA margin if you see for quarter it is 22.5% and as I talk to you similar gross margin maintaining going forward it will be big task for us and still we believe whatever guidance we have given you



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earlier we will be in that range only so not 21% but somewhere around 20% I think we still believe we will be able to achieve this.

- Prakash:** Perfect thank you so much. Have a good day.
- Moderator:** Thank you. The next question is from the line of Gaurang Sakare from Motilal Oswal. Please go ahead.
- Gaurang Sakare:** Thank you for taking my question. I just wanted to ask you about the market share that our company has in Duexis and what would be your outlook on the same?
- Amit Ghare:** Difficult to determine what kind of market share we have on Duexis because ultimately you need to refer the IQVIA to get the market share we are estimating somewhere in the 20%, 25% range and sorry what was the second question related with that?
- Gaurang Sakare:** I was asking on the outlook on the same so how do you see the market share going?
- Amit Ghare:** We have obviously three competitors who have come in and including us three now there was authorized generic and another generic has come in so we hope to maintain our market share at least.
- Gaurang Sakare:** Can you give the split between MRs for acute therapy and chronic therapy separately?
- Yogesh Kaushal:** Our acute is around 80% of our field force and chronic is around 19% to 20% total we are around 10500 so out of which 80 is acute and 20 is chronic.
- Gaurang Sakare:** One more thing I just wanted to ask on your growth breakup in domestic formulation business like price, volume and new launches for Q2 FY2022 and maybe for the first half FY2022?
- Yogesh Kaushal:** Our volume growth is 17.8%, price is 3.9% and the new product introduction is 2.8%.
- Gaurang Sakare:** On the capex side so what would be the capex till date in the year and what would be your guidance for FY2022?
- Rajesh Dubey:** For half year we are somewhere close to 200 Crores cash it has gone in capex, we expect somewhere around 450 to 500 by year end, we are trying to optimize that but I think we will be in the range of 450 to 500.
- Gaurang Sakare:** So basically this would be all towards maintenance or some of it would be growth capex not margin?
- Rajesh Dubey:** It is a mix kind of and the maintenance capex as well as expansion is also there and it is all across domestic as well as international requirement so even some capex in R&D also so it is all across.



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- Gaurang Sakare:** One last thing on the last participant when you explain the tax rate guidance so I just wanted to know this Sikkim facility the benefit that we are receiving as far as taxation is concerned so how long do you think that will continue beyond FY2022?
- Rajesh Dubey:** Actually till the assessment year 2026-2027 that is March 2026 we are going to have this advantage.
- Gaurang Sakare:** Thanks a lot Sir. Thanks for answering my questions.
- Moderator:** Thank you. The next question is from the line of Yash Tanna from ithubought PMS. Please go ahead.
- Yash Tanna:** So we come to know from the annual report and the AIOCD reports that most of our top ten brands which are 100 Crores plus sales they are mainly in therapies of anti-infectives, gastro, vitamin so my question is do we have 100 Crores plus brands in the chronic therapies as well and if yes how many and if not when can we expect some sizable brand in the chronic side and I am asking from a two to three year perspective here?
- Yogesh Kaushal:** Yash see we expect at least one brand Glucoryl which is an antibiotic therapy to exceed 100 Crores this year so that is a good news from chronic side but we still have a long way to go because most of our brands will be in a range of around 50 to 70 Crores and you can expect 100 Crores brand in another two to three years time couple of more brands to join 100 Crores bracket.
- Sandeep Singh:** Yogesh just one point there on IMS there the brands have reported none of the growth so there we also might not still be visible that is something you must point out.
- Yogesh Kaushal:** Yes, so Glucoryl actually internally we as a group we say 100 but since IQVIA split the SKU also so in that way the largest brand will be Glucoryl M which will be roughly around 60 Crores so that will take another three years to become 100 Crores and we have certain new launches which will also take around three to four years time to be 100 so from a SKU point you can say that at least three to four years time we should have at least 2 to 3 brands on a 100 Crores bracket.
- Yash Tanna:** Which therapies these brands are in?
- Yogesh Kaushal:** Mostly in diabetology and cardiology.
- Yash Tanna:** My second question would be like in the last call we spoke that we have three biosimilars launched in India and now two more as you mentioned in the opening comments and you also said that you would outlast Lupin, Zydus or even globally we would try to tap with some of the best partners for our biosimilars so with this increasing share of biosimilars in the product mix and we are also widening reach with all these tie ups we should see a positive impact on the margin side and if yes by when can we start seeing this effect?



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- Sandeep Singh:** So, your question is that biosimilars impacting margins positively is that correct?
- Yash Tanna:** Yes the gross margins and how much timeframe just a ballpark figure.
- Sandeep Singh:** Yes sure so if you launch anything biosimilars will impact let us say the sales and gross margin we have to do that in the regulated markets let us say that is the fair assumption that would take at least four years from now so we do not expect any change in gross margin colors because the biosimilars for the next I would say at least four to five years.
- Yash Tanna:** On biosimilar we have invested around 650 Crores over the years and how much incremental capex do we need for this segment over the next three to five years?
- Sandeep Singh:** The incremental capex might not be we have to look at it because most of the capex on our usual business is almost done, the capex cycle we are through I think overall it may change that we do 500 Crores capex overall for Alkem as a group I think it is very well within it how much now will we do for biosimilars and things like that I think that is something which we will keep it flexible because it depends how we scale the business up because we are also watching for some key milestones before we kind of invest further or we need to invest so I think I will refrain from splitting it up between biotech and Alkem as a group but it is not something significant honestly.
- Yash Tanna:** Thank you very much and best of luck.
- Moderator:** Thank you. The next question is from the line of Vishal Thanvi from Valuequest Investment Advisors. Please go ahead.
- Vishal Thanvi:** My question is on domestic formulation business so we have two segments over there can you give the breakup how much is acute and how much is chronic?
- Yogesh Kaushal:** We have 85% in acute and 15% chronic.
- Vishal Thanvi:** In last three, four years the same percentage or it has significantly changed?
- Yogesh Kaushal:** No, not significantly but there is a gradual change from around 11% this will become 15% in last four to five years time.
- Vishal Thanvi:** One more thing that in your initial comment you mentioned that you have launched two products in India can you name them please?
- Yogesh Kaushal:** You are talking about biosimilar Sir?
- Vishal Thanvi:** Yes.



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- Sandeep Singh:** It is Denosumab and Romisplostim these are two molecules we have launched in the last quarter and I think that was mentioned.
- Vishal Thanvi:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nimish Mehta from Research Delta Advisors. Please go ahead.
- Nimish Mehta:** This is actually a followup on previous participant's question you mentioned that in the USA you have one more competition what I understand is that TEVA has yet not launched and that case is still ongoing and because of the stay on the approval if they may not be ready to launch for another one plus years so do you still expect that we will see competition?
- Amit Ghare:** I do not want to comment upon what TEVA's position is but they do not have any , so they are free to launch and based on what we have heard back from the consumers they have started launching their product and made offers which is why I factored them in the competition.
- Nimish Mehta:** So they have already launched is it?
- Amit Ghare:** We believe so but I cannot be certain.
- Sandeep Singh:** You can assume but that does not change our stand. Amit is very clear that market share will have around 20% or whatever has been maintained.
- Nimish Mehta:** How many low competition launches we expect in the next two years some ballpark two or three years whatever some guidance on that will be very helpful? Thank you.
- Amit Ghare:** It is very hard for us to say because by the time you will get approval there could be few other companies along with us before us so hard for me to tell you that our aim will at least be to have one to two products every year at a very broad level and I also remember the definition of low competition could be very different so any one less than three is what I would consider as limited.
- Nimish Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prakash from Axis Capital. Please go ahead.
- Prakash:** I was just saying that I missed your growth expectation for the US I heard in the base business high single digit price erosion at the same time we also had good launches so do we expect stable or marginally upward trend which we have guided or how do we see the US growth trajectory?
- Amit Ghare:** Prakash I never guided for anything we only talked about what the history was and the year-on-year quarter has been degrown at 2.5% that is what I said but I will go ahead and answer so this



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year of course it is going to be extremely tough for the entire industry and I think on a complete year basis fiscal year basis we are looking at mostly flat sort of a scenario, at least at this time sitting in November.

Prakash: Sir not audible you expecting what?

Amit Ghare: I am expecting the year will end the entire fiscal will be flat compared to last fiscal.

Prakash: Then we have enough pipelines to grow from there?

Amit Ghare: We do have enough pipeline to go from there and even this year we will have 12 launches at least 12 launches so basically I think the problem has been like I had mentioned here that whatever we are losing out on the market share and the price deflation we are not covering enough from our new launches so it remains to be same how it will be in the fiscal going forward history tells us that we have done better on that count but going forward we need to see how the deflation really does it settle down, does it come down, where does it end really for the overall industry and of course for us at a portfolio.

Prakash: Fair enough. That was all. Thank you so much.

Moderator: Thank you. The next question is from the line of Vishal Thanvi from Valuequest Investment Advisors. Please go ahead.

Vishal Thanvi: My question is on US business so can you give us some numbers on margins of domestic business and US business EBITDA margin or gross margin?

Rajesh Dubey: We never give segment wise gross margin or EBITDA margin of our businesses so we always talk combined.

Vishal Thanvi: Thanks Sir.

Moderator: Thank you. The next question is from the line of Ritika Agrawal from Valuequest. Please go ahead.

Ritika Agrawal: Thank you for taking my questions. Sir my question is on the cash utilization plans for the company going ahead could you give some understanding on that?

Sandeep Singh: I think we are always maintaining that we will have a dividend payout ratio of 25% and our position I do not see any large acquisitions happening so we are going to maintain business as it is, it is not that we have some different scenario with our cashes accumulating I think when the time comes where we have really a lot of cash and at that time we will take a call but right now it is business as usual thank you.



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- Ritika Agrawal:** Lastly on US business last quarter we had guided for a year-on-year growth of 15% to 16% and now we have stated it to be flat for FY2022 so what pricing erosion?
- Amit Ghare:** So yes that has been our region, our pricing erosion has been in the range of 8% to 9% in the entire portfolio and some of it has also led us to grow some market share so there has been market share degrowth as well so overall impact obviously the offset by all the new launches that we do but like I mentioned we are now for this year this entire fiscal the new product is just about offsetting the losses that we are having because of price deflation and market share losses which is why this year this entire fiscal I broadly guided that we will remain flat.
- Ritika Agrawal:** So post FY2022, 2023, 2024 or in a medium-term how should we see this US business?
- Amit Ghare:** Tough for me to say at this moment obviously going in our history we certainly grown at a much faster rate of course now our base is bigger so we will not witness in percentile terms the growth rate that we have had historically, but we need to really see how long this price deflation phase is going to remain because this is a problem for the entire industry and actually some of our clients believe that it cannot be at this level going forward it will be very difficult for many players to sustain at this level so at some point of time it will decrease that timing kind of remains a bit of a question mark.
- Ritika Agrawal:** Sir any major reason why this has accentuated in the last few quarters in your sense?
- Amit Ghare:** I think we talked about it last time also I think it is COVID and some COVID cascading effects overall so there is a degrowth in the market itself in unit terms which we all know firstly the therapy mix has changed or it has changed from a growth perspective or degrowth perspective and that there will be some cascading effects because of that.
- Ritika Agrawal:** That is it from me Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.
- Prashant Kothari:** Few questions from my side one was on the capex front I think earlier whenever we are talking with under the assumption that the company had a large amount of capex in the recent few years and therefore we had a spare capacity and we need to kind of increase the capex currently and think the capex would have been going down roughly around the range of 300 to 400 Crores so this number of 450 to 500 Crores comes as a bit of a negative unless these are not completely updated?
- Rajesh Dubey:** Yes, actually we never give any guidance of 350 Crores capex for 2021-2022 actually beginning our guidance is 500 to 550 Crores I think we are as per our guidance only and we are in that range only.



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Prashant Kothari: Second question was on the inventory front our inventories are kind of running at a higher level than when they used to be in earlier years then do you think the field remains at high level because of whatever kind of supply chain actually we are seeing throughout the industry or this will come down?

Rajesh Dubey: Inventory the level is high it is intentional one and actually in this uncertain scenario even inventory of raw material we wish we have larger inventory but as well as for finished goods also we want to have sufficient inventory so we grab opportunity whatever is available in domestic as well as in international market so working capital we understand our inventory level is on higher side but it is intentional I think a few days more we have right now compared to historical inventory days what we had earlier and that is intentional and we are confident that is going to help us.

Prashant Kothari: On these digital pharmacy chains in India and there are also digital pharmacy chains which are growing well fast and do we have a separate division, separate strategy for managing these modern trade?

Sandeep Singh: Yes, it is a good question so first thing so we are not deploying any special division of strategy for this because please remember that as long as the prescription is honored and the doctor's prescription has a supreme say I do not think company have a special worry about it and this company is special for online pharmacies because the prescription matters and what doctors write it has to be honored any which ways with any pharmacy or brick and mortar pharmacy so it is business as usual for us but obviously we are watching out but nothing special we are doing for these things right now.

Prashant Kothari: Thank you very much.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Gagan for closing comments. Thank you and over to you Sir!

Gagan Borana: Thank you everyone for attending this call. If any of your queries have remained unanswered please feel free to get in touch with me. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Motilal Oswal Financial Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.