17th May 2024

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
Scrip Code: 500674

The Secretary
The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra East
Mumbai - 400 050
Symbol: SANOFI

Sub: Transcript of Investors / Analysts Call scheduled on 16th May 2024

Dear Sirs,

Further to our letter dated 16th May 2024, and pursuant to Regulation 30 read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the Investors / Analysts Call scheduled on 16th May 2024. The same is also being uploaded on the website of the Company at Analyst / Investor Meet (sanofiindialtd.com)

Please note that the presentation and the recording of the aforesaid Call is already available on the website of the Company at the above web link.

Kindly take the above information on record.

Yours faithfully

For **Sanofi India Limited**

RADHIKA KARTIK SHAH
Digitally signed by RADHIKA KARTIK SHAH
Date: 2024.05.17 11:59:36 +05'30'

Radhika Shah
Company Secretary & Compliance Officer
Membership No: A19308

Sanofi India Limited

Investor Conference Call”

May 16, 2024

MANAGEMENT: MR. RODOLFO HROSZ – MANAGING DIRECTOR – SANOFI INDIA LIMITED
MR. RACHID AYARI – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – SANOFI INDIA LIMITED
MR. HIMANSHU BAKSHI – GENERAL MANAGER, CONSUMER HEALTHCARE BUSINESS – SANOFI INDIA LIMITED
MS. RADHIKA SHAH - COMPANY SECRETARY AND HEAD, LEGAL – SANOFI INDIA LIMITED

Moderator: Over to Sanofi management team.

Radhika Shah: Thank you. Good afternoon, everyone, and a very warm welcome to the Investor Call of Sanofi. My name is Radhika and I Head the Legal and I'm the Company Secretary for Sanofi India Limited. I have with me Mr. Rodolfo Hrosz, Managing Director, Mr. Rachid Ayari, Whole-Time Director and CFO, and Mr. Himanshu Bakshi, General Manager, Consumer Healthcare business.

Rachid Ayari: Good afternoon, everyone.

Rodolfo Hrosz: Good afternoon.

Himanshu Bakshi: Good afternoon.

Radhika Shah: Thank you. Before we begin this Investor Call, there are two important announcements. Please note that the proceedings of this meeting are recorded. Secondly, please note a standard disclaimer that there are certain statements in this call which may be forward looking and the actual results may vary depending on various other factors which may impact the future performance.

Moving on to the agenda, we will cover the performance for the Q1 for 2024 and other highlights. Thereafter, we will have a Q&A session, which will end at exactly sharp 3 p.m. All investors and participants are please requested to keep their questions brief and avoid repetition.

I now hand over to Rodolfo, Rachid and Himanshu to take us through the presentation.

Rodolfo Hrosz: Thank you, Radhika. Thank you very much. And thank you again for joining and for taking the time to join us today. Before we get into the quarter update, I will give you a brief update on our strategic progress or our progress versus our strategic plan. I think if we flip to the next slide. Yes.

So as you all remember and have seen, is it visible to everyone? All right. So let's click to the next page, please. And the next. Yes. So before we get into the results of the quarter, let's go quickly through our India for India plan, which outlines the strategies that we have in the market and what's the progress we have made along the last several months.

In our India for India plan, we have four pillars, as you remember, diabetes, consumer healthcare, end-to-end innovation and go to market. In the diabetes pillar, we have said we would strengthen the reach, expand spectrum of our offering and engage in public disease and therapy awareness campaigns. We have done good progress on all fronts. Particularly, we now see with extended reach, also a growth in the volume of Lantus post the price reduction in NIM.

We begin to see a steady volume growth coming from Lantus. We have made progress also in expanding the offering in the diabetes category with the launches of Insutage, the human instrument locally produced, set up in us.

And now, since this month, we brought to market Soliqua, our best in class therapy for patients that today are treated with pre-mixed insulins in India. A segment of the market in which we didn't compete. And we come in with a strong product.

I'm going to come back to that Soliqua launch in a couple of minutes. And on the second pillar, you remember, we said we would want to double down our consumer healthcare. That pillar led to the proposal of the emerging CHC to give it a fully dedicated super expert specialist management team to be able to unlock all the opportunities in Consumer Healthcare, quickly and to their fullest potential in India. And that initiative is advancing very quickly. And Himanshu is going to give us a couple more points of update on the process for the merger of the Consumer Healthcare business.

On the third pillar, we said that for innovation, we would be fully leveraging local innovation, localizing supply and engaging partnerships for reach. We have a lot of action there on that third pillar. We've launched SANOXABAN, Carmada, Cetapin S, Frisium Suspension, all local innovations.

We have localized insutage by replacing Insuman, which is our human insulin. And you've seen in the last weeks the announcement of two strategic partnerships, Emcure and Cipla. Emcure for the cardiovascular portfolio and Cipla for the CNS portfolio.

I'm going to come back to those partnerships in a minute. On the fourth pillar, on go to market, we have said we would extend reach by using customer centric and hybrid models, deploy a trade organization and pilot transformation models for e-commerce, HCPs and e-KAM. We have made significant progress there.

You see that reflected in our opex. The improvements made in opex are quite consistent and they derive directly from the fourth pillar of our plan. So that to give you a little bit of the context in terms of progress versus our plan.

We outlined this plan back at the end of 2022 and we continue to walk that talk. So this is what we said we would do. And we've been consistent in progressing against those four pillars. Now, if I zoom into a little bit about the next slide, please, the partnerships that we just announced, there are two partnerships. We went through a very careful process to select those strategic partners to expand reach of our established portfolio, both for cardiovascular with Emcure and Central Nervous System with Cipla.

In those two partnerships, there are brands from Sanofi India Limited, which are listed on that page for Emcure, the partnership with Emcure and Cardio. It includes Cardace, Clexane, Targocid, Lasix, and Lasilactone and other CV brands from Sanofi private. Then on the Cipla side, we had Frisium and other Sanofi brands on the private side.

So basically, a significant and major step for us, a step forward for us. As we want to focus more and more on innovation, we wanted to make sure that we extract maximum potential growth from the established portfolio that we have in our hands. And to grow this portfolio, we require more capital distribution, more capital penetration.

These partnerships allow us to get that additional capillarity and therefore extract more growth from our established portfolio with such leading brands. So very encouraged with the partnerships and they are very promising partnerships in terms of accelerating the growth of established products, while we focus on bringing to market new products and launching best-in-class and first-in-class therapies.

So in the next slide, a quick update on the innovation. You've seen that slide before. Before, it had no green checks when we first shown it to you. Now you see it all checked out with green. Frisium came to the market, SANOXABAN, Carmada, Soliqua just coming out, Insutage, Cetapin also coming. And the next one up in that original plan is, of course, Allegra, which is going to be the merged entity as we go through the merger.

So significant progress in renovating the portfolio, and there is more to come. Next slide. With going back to focusing specifically on the Soliqua launch, this is a very relevant launch in India. This is a best-in-class therapy for a segment of the diabetes market where we were not competing. This is the product that enters the premix segment, which is a category that is as large as the category in which we compete today.

The basal insulin, Sanofi today, competes in the basal insulin with Lantus and Toujeo. And adjacent to that basal insulin category, there is a category with similar size and similar growth pace, which is the premix category. Now, Soliqua comes into the premix category with significant advantages versus the products that are in that category.

It brings an advantage in terms of reduced risk of hypoglycemia. There is an advantage in terms of weight. Soliqua brings a slight increase in weight, and the insulins in premix bring a slight increase in weight. Altogether, there is a weight advantage and weight benefit for the patient and for the therapy in itself. And it's one touch a day, one prick a day, while competing products end up utilizing more injections in the same.

So those are significant advantages, and that's what we call best-in-class products in a given category. So we're very enthusiastic about it. The first month went very well with good results, in line and slightly above the high expectations we have for the product. A very promising launch, and we hope to see it really change the way diabetes is managed, -- patients with diabetes are managed by healthcare companies in India with a superior solution going forward.

The next slide, I want to show you a little bit of the repercussion of this launch, right? A lot of the media picked up on our recent trend of bringing new products to the market. Specifically, Soliqua picked up a lot of press because of the relevance of this launch, because of the fact that it is a best-in-class, and it is the first of a series of best-in-class launches that we intend to bring to the market.

Now, before I hand over to Rachid to talk about the quarter's result, I would say that it is a quarter that requires attention in terms of analysing, right? When you look at the underlying performance of the quarter, removing all the exceptionalities of the quarter in 2024 and the exceptionalities in the quarter of 2023, it is a good quarter, right?

So strategy is advancing and underlying performance is corresponding, right? But then when we get to the published figures, they do include a number of exceptionalities that made it more difficult to analyse. But I think that's the point that you want to explore, Rachid, in your presentation, right?

Rachid Ayari: Yes, exactly.

Rodolfo Hrosz: So then let's move to the next slide, and I hand it over to Rachid.

Rachid Ayari: Thank you, Rodolfo. So just a small introduction, as Rodolfo has mentioned, that the two quarters in published are not really comparable. So the first point, which is the most, let's say, important one, is related to the NLEM implementation.

So, as you know, NLEM was implemented in April 2023. So Q1 2024 is still impacted by this price decrease. And for the rest of the year, we will not see this impact in year to go. We have to mention that in last year, in Q1 2023, the export was quite significant, plus 30%. And this is mainly due to the volume, but at the same time, for favourable FX and it generates a certain gross margin positive impact related to the freight as well.

In the other income, in Q1 2023, significant booking of the interest on bank deposit before dividend distribution, and one of interest on income tax. So if we sum up everything, it's a kind of INR19 crores coming from this line. And as mentioned in last investors call in Q1 2023, we had the highest profit for [17th month 0:13:13] quarter. And it was exceptional. And we can see in the next slide, the level of the operating profit. Exceptional items as well related to the sales of assets in Q1 2023, which is around INR18 crores, which is in the published P&L.

And finally, the strategic partnership with Emcure and Cipla in Q1, which is value-added for the shareholders and bringing an important volume increase for the business, is leading as well and downsizing of the team, and at the same time payment of severance package around INR27 crores. Can we move to the next, please?

Yes. So the first graph in the left side is reflecting Q1 '24 versus Q1 '23, and in the right side, we see it's Q4 '23 versus Q1 '24. So if we focus in the first graph in the left side, so we see -- if we exclude the total domestic retaining sales, it's around INR548 crores. And in Q1 '24 we are moving to INR566 crores.

So in domestic sales and retained business, the growth is at 3%. And if we exclude the impact of NLEM, the growth will be at 8%, and this is significant -- let's say, significant growth for the quarter. So at the end of the day, the results are good, as mentioned by Rodolfo.

Now, another point which is very positive related to India, for India strategy is related to the expenses part where we are maintaining flat expenses and even certain savings. The profit before exceptional items and tax, we see that we are moving from INR246 crores to INR15 crores, minus 12%. And this is as explained at the introduction by the different elements related to Q1 2023.

Now, if we move to the right side of the graph and we see that it's comparable, largely a comparable quarter. So we see a growth of 8% in domestic retaining sales, which is almost, let's say, the same as the quarter 1 '23 to quarter 1 '24, excluding the NLEM impact. So this is the trend of the business.

And when we look to the profit before exceptional items and tax, we see a double digit growth moving from Q4 '23 at INR189 crores to INR15 crores, which is an exceptional result as well, if we take it from this angle. Shall we move to the next, please?

So this slide is interesting to show, let's say, the consistency of the profit before exceptional items and tax in terms of percentage and absolute value. So we can see in Q1, moving from 208 in 2022 to 246, and this is -- we can see it was an exceptional quarter last year. And for this year, we are at INR215 crores and remain one of the highest profit before tax and exceptional items for the rest of the quarter as well, Q2, Q3 and Q4.

In terms of percentage, again, so it's the same trend, so 36% in Q1 2023 we said, again, that is an exception and we are moving to 31%, which remain in the same level that we are and even above the different quarters in 2023. Can you move to the next?

So finally, there are a lot of questions related to CHC. The first point that, for now, we are still disclosing our financial statement as one segment and the financial statements are audited by our external auditor, PwC. And so we cannot as today disclose the business in two segments as the data are not audited.

So we are putting here a disclaimer that this is indicated by not audited data, but it's giving a trend and this will be audited once the company will be registered and listed. So just to give an idea, in Q1 sales, the sales should be around 30% of the total sales of the company. And in terms of operating profit, we are giving a range and so the contribution from CHC is around 37% to 39%. It could be 1 point up, 1 point down, and this is -- once it will be audited officially, then we will disclose as per regulation. I think that's all from my side.

So, Himanshu, the floor is yours.

Himanshu Bakshi: Thank you, Rachid. As Rodolfo also mentioned -- can we move to the next slide, please? So Rodolfo already mentioned that the governance on the demerger is on track. So CHC is transitioning very well towards establishing a very strong FMCH organization.

Just a reminder of our key building blocks moving forward as an organization. This was presented a few quarters back, so we are consistent in terms of our building blocks. The first one is really enhancing the portfolio. So if you look at the current portfolio opportunities, there is an opportunity to increase penetration in a big way. Really working with the government and the authorities on the modern OTC regulations and the role of innovation which is really making things better for people out there.

The second pillar is on building a consumer-centric mindset which means really becoming closer to consumers, big deep dive into insights and deepen the affinity with the consumers. Driving awareness and accelerating the key legacy strong love brands that we have in the portfolio and enhancing our presence in channels like modern trade which is an area which we will really focus on.

The third key pillar on the business is the best-in-class digital and e-commerce capabilities. And we see a lot of room here as a business. So, stepping up really on the e-commerce and all the key platforms that are out there, building a world-class digital marketing organization to support all our key brands and portfolios and also leverage our global CHC data and digital edge that we possess and leverage it and use it in the country.

Now, beyond business as well there are opportunities and these are opportunities which we will also actively look at which is opportunities to grow inorganically and also scale up and increase our direct-to-consumer brand activation. So, this in a nutshell is really about the key building blocks for consumer healthcare business moving forward. Can we move to the next slide, please?

In terms of our quarter 1 performance, it's a very strong performance in the market across all the key brands that we have. So, in spite of a challenging market situation and market growth all key brands continue to gain very strongly on share, very strongly in terms of their presence in the market. So, on allergy, on physical wellness and pain all three areas we've gained share and we've gained share significantly in the first quarter.

So, moving ahead, it's really about now moving to the next steps. We expect the listing in the next few months. And yes, we will be reaching out to many of you and having discussion in detail about the plans for CHC going forward.

Over to you, Radhika.

Radhika Shah: Thank you, Himanshu. Thank you, Rodolfo. And I think now we move on to the Q&A session.

Just a quick reminder in this session we will respond to your queries within the boundaries of our internal policies. As required by law, we will restrict our responses to clarify on all matters which are available only in the public domain. So, kindly ask your questions accordingly.

There could be granular aspects of our financials like product-wise, therapy-wise, margins, profitability which are strictly confidential and we will not be able to comment on those. We also do not provide any future guidance. As mentioned in the registration, we will be taking questions from you in the sequence of your registration.

In case multiple registrations are received from the same participant, we will take the questions first from the first registered participant and give the others an opportunity at the end of the session. I request in the interest of time and for giving equal opportunity to all, please keep the number of questions limited to one or two handing over to the agency for the Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Ameya Chalke from JM Financial. Please go ahead, sir.

Ameya Chalke: Thank you for taking my question and also thank you for keeping this call for the investors and analysts. The first question I have on the localization strategy which was mentioned initially. What I want to understand is it across markets from the currency parent or is it only towards India markets?

What I want to understand is how sustainable it is the initiative which has been taken about the localized innovation etc and the autonomy given to the local management over here?

Radhika Shah: Localized innovation, it's a global strategy for all countries.

Rodolfo Hrosz: Thank you very much for the question. The India for India plan is a strategy and a plan for Sanofi India. Of course, it aligns with global strategies of Sanofi and it is fully in sync with the global leadership of the group.

But in that particular point that I think you brought up which is the localization of supply there is a particular point relevant for India. Of course, not many other markets that make sense for the group. It does make sense for Sanofi India.

India is the pharmacy of the world. That is a very strong industrial footprint in the pharma industry in India and we intend to continue to leverage it even more. We already have our own facility, a large and very important and very cost-effective high-quality plant in Goa which provides a significant part of what we sell in India.

In addition to that, we operate in India with a good number of contract manufacturing organizations that provide not only to India, but also to other markets of Sanofi in the world, similarly to what happens in Goa. Goa production is for Sanofi in India and also is exported to more markets.

So we continue to leverage that strategy and we have emphasized that strategy with the intention to localize more production and launch local innovations as we did. You've seen the carmada, Sanoxaban, frisium suspension, Ceftin S all came out. They are all locally produced and the unfolding of our strategy of localizing production and leveraging the local production capabilities of India to do some local innovations. Now, that makes sense for India.

It doesn't make sense necessarily for our markets. I think that was your question, whether it's a global strategy. It's not a global strategy. It made sense for India.

Ameya Chalke: And the second question I have is the partnership which we have taken for the CVS and CNS product portfolio was it Emcure and Cipla. So we have written on one of the slides that we will be downsizing our teams for the CVS and CNS portfolio. So what is the impact of this?

And I believe we also have our own brand. So we will stop marketing them on our own or we will reduce our marketing on our own for those brands internally?

Rodolfo Hrosz: Okay. I have a little difficulty because your sound is coming through a little muffled. So I'm going to ask my colleagues to try to piece it together. So the partnerships and the question is specifically.

Management: So are they going to do everything?

Rodolfo Hrosz: I got that part. So thank you for the question. The partnerships that we have established with both Cipla and Emcure of partnerships for expansion of our reach and acceleration of our growth. In those partnerships both companies will be doing distribution and promotion of these brands.

The company continues to own the brands, produce the brands, book the sales of these brands. So it is our brands being promoted and distributed by these two large local pharmaceutical companies. The reasoning behind that as we discussed before is that these companies have a much more capillary network and presence allowing these brands now to reach Tier 2, Tier 3, Tier 4, while Sanofi by itself was mostly concentrated in Tier 1 and sometimes Tier 2.

So these are strong brands with leading position, strong equities that were not made available in all tiers of India. Through these partnerships, we expect an acceleration of growth by taking these brands to more tiers of the market and therefore enjoying an additional growth coming from it. But it is, I think in your point is it marketing and distribution?

Yes, it is promotion and distribution. The brands continue to be Sanofi. They are owned by Sanofi, produced by Sanofi, and sales are booked by Sanofi too.

Ameya Chalke: My question was will you stop marketing through our distribution because you are downsizing our team? That's what I heard.

Rodolfo Hrosz: I have a hard time getting it.

Radhika Shah: So I think the question is that the marketing is not we have [inaudible 29:54]. So the marketing now will be done by the respective partnership entities.

Rodolfo Hrosz: Can you repeat the question because I don't think I could hear you clearly. Your connection is not so good.

Moderator: Mr. Ameya, are you connected on your earphone? So if yes, please switch to your handset.

Ameya Chalke: Yes. What I was asking, we have said that we will be downsizing CVS and CNS teams. So will we stop marketing these products to our own teams? That was my question.

Rachid Ayari: The marketing will be done by the partners. So that's already mentioned.

Radhika Shah: You already answered that.

Rachid Ayari: Yes. The partner is doing the distribution and the marketing. Both.

Ameya Chalke: Let's say if these products pick up really well for us, on a margin, what would be the impact? How would be the profitability of these products for us?

Rodolfo Hrosz: Thank you. But we don't disclose figures by brand and by group of brands, right? And margins. So that we can't answer it.

Ameya Chalke: Sure. Sure. Thank you so much. I will turn back to queue. Thank you.

Rodolfo Hrosz: But in that sense, I mean, I think that in the spirit of your question, this is, these partnerships, we expect accelerated growth for the reason that I mentioned, because of the expanded capillarity and therefore the expanded reach of these iconic leading brands.

Moderator: Thank you. The next question is from the line of Varun Bang from Bandhan Life. Please go ahead.

Varun Bang: Yes. Hi. Thanks for the opportunity and congratulations for Soliqua launch. And also thanks for the details that are shared in the presentation. They're very helpful. So the first question is, can you share some perspective on the revenue model in the marketing and distribution partnerships that you have signed with Emcure and Cipla? And how should this impact our revenue and operating profits initially? And how should it evolve over a period of time?

Rachid Ayari: You'll take this one? Yes. Regarding the partnership, right? Yes. So, Yes, the model is mainly gross to net model where the partner is taking in charge of the distribution and the marketing. So we are bidding to the partner and this is what we are booking in our books. So that's in a nutshell, let's say the summary of the partnership.

Varun Bang: Any perspective on the revenue model? How should it impact our revenue and operating profits?

Rachid Ayari: I don't know. You are talking about if there is any impact in the operating profit. That's the question, right?

Varun Bang: Yes. Overall revenue model, if we can just briefly give some perspective.

Rachid Ayari: Yes. So as you said, it would be gross sales to the partner, gross to net deduction and booking of the net sales in our books. So then the impact, as we said at the beginning, that it's accretive value for the shareholders.

Then the impact, if there is any impact, is already absorbed in the operating profit. So it's already improving, let's say, as we said, accretive value that the analysis is giving positive on the financial statement based on the net present value that was evaluated to take the decision on this project.

Varun Bang: Got it. Got it. And what is our MR strength at present? I mean, after signing these partnerships and how is it structured now? And would we look at strengthening our MR count going forward? Or we will look at optimizing the existing ones?

Radhika Shah: Sorry, Varun, could you repeat your last question? There seems to be a little bit of a noise.

Rodolfo Hrosz: I'm wondering if it's our system that is bad. Can you repeat the question, please?

Varun Bang: The question is on the MR strength. Yes, the question is on the MR strength. What is the MR strength after signing these partnerships? And what is the structure of the MR team? And would we look at strengthening our MR count going forward? Or we look at optimizing the existing?

Rodolfo Hrosz: What is the MR? MR is medical field force. How much do we reduce? The MR is field force.

Radhika Shah: We will not promote.

Rodolfo Hrosz: No, you're asking about the field force, right?

Radhika Shah: Yes, Yes. He's asking about the field force.

Rodolfo Hrosz: Now, in these categories, the field force that will be pushing and promoting, distributing and promoting these brands are the field force of the partners, right? So, which are large field forces in both cases, larger than we were able to do by ourselves. Now, the numbers we don't disclose and they don't disclose either.

But the whole reasoning behind the partnerships is because you tap into a larger sales force capable of a more capital promotion and distribution in both cases, right? So, it is an increased number of people working with these products, taking it to healthcare professionals in more cities, going down to Tier 2, Tier 3, Tier 4, through Cipla and through Emcure. Now, we don't usually disclose the number by product. I believe they don't disclose that either. But I can tell you that it is more. Otherwise, we would…

Ameya Chalke: No, my question is actually, on the Sanofi MR count post this signing this partnership what is the MR count in Sanofi and how is the team structured now would be look at strengthening the MRP?

Rodolfo Hrosz: I think you're saying MR. I don't know what MR is.

Radhika Shah: So, we don't disclose typically our MR. It's a total employee strength that you could probably write to us and we will give it to you. We don't publish those numbers on a quarter-on-quarter basis. But we're happy to…

Rodolfo Hrosz: I just want to verify. MR, you're referring to medical reps.

Radhika Shah: Yes.

Rodolfo Hrosz: Because it's not our language. We don't refer to them as medical reps. We refer to them as a few. So, MR, we don't disclose by brand and we would not disclose also in the case of the partner, how many are there. There is more. All I can tell you is more. Because otherwise, we wouldn't be able to get more capital distribution and promotion.

Radhika Shah: And if you want to know the total employee strength, you could write to us and we will get back to you.

Varun Bang: No, that is there in the annual report. So, just one last thing on the consumer healthcare business. What would be our focus areas within our consumer healthcare business, especially from new products perspective? And where would we look to source them? So, the question is on the consumer healthcare business. What would be our focus areas within consumer healthcare business, especially from the new products perspective? And where would we look to source them?

Himanshu Bakshi: Thank you for the question. And as I mentioned, we operate today in key categories like allergy, physical wellness, and pain. And if you look at our market shares and our presence today, there is still a lot to achieve in this category. So most of our launches, most of our focus will continue to remain on the core for the new launches as well.

Rodolfo Hrosz: Before the next question, just to the people working with us, are we sure that the issue with the sound is not on our end? Because the second question, we had difficulty understanding the question. So can we make sure that we fine-tune and adjust the volume appropriately? So it is getting very distorted here.

Radhika Shah: Chorus team, please check the sound from your end. Thank you.

Moderator: We'll take the next question from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead, sir.

Abdulkader Puranwala: Yes, hi. Thank you for the opportunity. So a couple of questions here. So starting with the Soliqua launch, could you please throw some light that how well it complements to the portfolio what you already have? And in terms of your target market, what is the kind of population this brand could address? And Yes, so that could be pretty helpful to start with.

Rodolfo Hrosz: Yes, excellent question. Thank you very much. This is an extremely complementary launch. As I mentioned before, you could envision the insulins market with two main subcategories, the basal insulin and the premix insulin. Up until the Soliqua launch, Sanofi has only played in the basal insulin with Lantos and Tujo, right? With the launch of Soliqua, we now tap into this other segment of premixes insulins where we were not competing.

So it's extremely complementary to our portfolio because it taps into a different need that to date we were not catering to. And we get into that different need with a best-in-class product, with a clear superiority to many of the alternatives that exist today for the healthcare professional when dealing with patients that require today pre-mix insulin. So going forward, you will have a superior option with Soliqua.

And then we anticipate Soliqua to be able to quickly gain a significant share as HCPs upgrade their patients of pre-mix to the Soliqua treatment. Now, you also asked about the source of volume, right? So Soliqua comes to [0:40:47 paleo], auto-anti-diabetic patients and patients that also migrate from basal insulins to pre-mix.

So in those two cases, we were not capturing those patients with anything in our portfolio because we didn't have anything relevant in that segment. Now we have Soliqua in that pre-mix segment capturing that opportunity and offering HCPs and patients a superior solution. So it's a win-win-win.

It's good for patients, good for the HCPs, and good for Sanofi too, and extremely complimentary because it's a very distinct segment of the market where we didn't play at all.

Ameya Chalke: Got it. And some of the second questions that are close to what was asked previously as well. So as I see your overall employee count in fiscal '22, it was close to 2,600 employees. And that number after the latest annual report has come down to 2,100 employees. So would it be fair to assume that this rationalization of 500 to 550 employees would be mainly because of this out-licensing few deal?

Rodolfo Hrosz: Yes, and again, we got a difficulty with the sound. I think we really need to check what's going on because every question is becoming difficult and very distorted. But you asked about the headcount by the end of the year 2022 and the end of the year 2023. That is, and what are the explanations on the differences? This is what your question was, right?

So there is one important difference in the way we measure the headcount in '22 and the way we measure the headcount in '23. In '22, we measure headcount with the number of people that have worked with Sanofi in the year, throughout the year. So if an employee worked for six months, it would count in 2022. From 2023 onwards, it is the actual count of employees working in the company by the end of the year, by December 31st, right? Or the last day of the count. So it's a different methodology there too, right?

Ameya Chalke: Okay, fair enough. So this last one on the consumer business, which on the [0:43:16 Dino] there is one question. So the strategy, we'll inform about, but in terms of the new brand, so, I mean, how do we look at this portfolio from a five to 10 year perspective? Whether there would be a similar strategy as what you're calling for your RX business or India for India, where there will be new molecules which may or may not be a part of the parent's portfolio which can be launched. And, we need an entire consumer kind of a business to focus upon?

Radhika Shah: That's the strategy going forward in terms of launches for products which are owned by the parent to be introduced in the country.

Himanshu Bakshi: Yes, of course. So, the vision of CHC is bringing health into people's hands and becoming the best FMCH company in and for the world. So there are definitely a lot of good global portfolios which we will be evaluating for the future launches in India. Having said that, again reiterate on our current portfolio itself, there are still a lot of opportunities that we need to leverage, but going forward, new brands, new products will definitely be evaluated from the global portfolio.

Rodolfo Hrosz: Before we go to the next question, I'm going to ask the moderator to repeat the question because in the room, it is getting very distorted. So if you're getting a better, more clarity, I ask you to help us repeating the question that is asked.

Moderator: Thank you. The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead, sir.

Gagan Thareja: Yes, so the first question pertains to the out-licensing deals. Could you clarify whether the deal is signed between Sanofi India and these companies or between Sanofi Global and these companies?

Rodolfo Hrosz: The deal is signed between Sanofi India and these companies.

Radhika Shah: And there was no out licensing.

Rodolfo Hrosz: It's not an un-licensing deal. It's a distribution and promotion deal.

Radhika Shah: Agreement, yes.

Rodolfo Hrosz: And it's an agreement of distribution and promotion signed by Sanofi India with those companies. Okay. And as I mentioned before, I just want to reinforce, Sanofi continues to own, manufacture, and book the sales on these brands.

Gagan Thareja: Are all of these brands manufactured by Sanofi India in their facilities?

Rodolfo Hrosz: No, some are manufactured in India. Some are imported as well.

Gagan Thareja: The reason I ask this question is that, the brands, while they are marketed by Sanofi India, are owned by Sanofi Global. And if they are going to be distributed and marketed by another entity, what is the, and perhaps not even manufactured by Sanofi India, and what is the rationale of, routing the transaction through Sanofi India? The entire arraignment could be a pure out-licensing arraignment, with these products being marketed by Cipla and by Emcure, with Sanofi India having nothing to do with it at all. I'm just trying to understand, in the future, could something of this sort happen?

Rodolfo Hrosz: It's not in the plans today. I understand your question. It could be one way to arrange it. It's not the way we decided to go forward with. This is a local initiative between Sanofi India and those companies. And it was structured in this way that I just described, and that Rachid also described too.

So we sell products to them. They are another distributor of ours, a strategic distributor, that also does the promotion of these brands in the market. But that's the way it is structured. You're alluding to a potentially different model, which isn't the model that we have utilized in these partnerships. And there is no plan to do it in a different way going forward, which doesn't mean that we couldn't, one day, change the model that we operate today. But today, we don't intend to change the model. The model is the one that we implemented.

Gagan Thareja: So when you report sales pertaining to these brands in your books, you will net out the distribution margin that will be given to these companies. And then you report the sales and adjusted for the cost, you'll report the margins on your books. Is that how it is?

Rachid Ayari: Yes, it's a gross-to-net model. So the invoice is going in gross minus the gross-to-net. And this is the only booking that we have in our books. All the expenses is not related to Sanofi India. It's what it would be booked at the partner level. It's not at our level. So it's a different model as well. So we are not outsourcing the promotion here. So it's a total gross-to-net models without keeping any expenses at our level.

Gagan Thareja: Okay. Emcure, one of their calls indicated that they might eventually, possibly be manufacturing these brands in our region. And that is the reason why I'm asking this question. I'm sorry if I'm repeating it, but if the counterparty seems to indicate that at some point in time, there's a possibility that they'll manufacture it, then we'll manufacture, we'll market. What will Sanofi India be doing? And therefore, what will accrue on your P&L?

Rodolfo Hrosz: At the moment, it's not part of the agreements that we have. This is not the intention of the agreements. You're right in a way in which everything is possible in the future, but this is not part of the plan today. So today, the agreement and what we're working on is the expansion of reach and acceleration of growth of our established products that currently exist through these partnerships with Cipla and Emcure in the Indian market. Now, if a new extension of one of these brands is introduced to the market in the future and if it happens to be produced by one of them, we'll have to treat that topic in the future, but it isn't a part of the initial plan and we don't have that baked into the initial plan.

Gagan Thareja: Okay. A final question, if I can take one more and that is for the consumer healthcare business. Is it possible to help us understand what the new OTC regulations bring to the table for companies?

I mean, does it give you the opportunity to expand your distribution through general trade? Whereas it might not be the case now and have the OTC regulations, new ones been notified already?

Himanshu Bakshi: So the regulations are still in the draft stage and all OTC companies are partnering with the government to have the right regulations come into field. So to your point and all the things that you mentioned are definitely getting discussed at the right level and the moment it gets notarized and regularized, we come back to you with details.

Rodolfo Hrosz: If I may add to that, Himanshu, I think that when we look at the regulation of OTC in India and compare it to the regulation of OTC in most other markets, we see significant opportunity for evolution. Both in terms of distribution, but also in terms of consumer engagement. Around the world, regulation for OTC is such that allows companies to more directly engage with consumer, educate consumers and therefore drive the business in that way.

Now, in India, we are a few steps behind still and with a big opportunity for modernizing those regulations and then unlocking growth drivers, both in terms of distribution, but also in terms of communication with business. Does that make sense, Himanshu?

Himanshu Bakshi: Absolutely.

Gagan Thareja: On the OTC piece, I mean, if you are facilitated to market through the general trade channels, the three categories that, you showed on your slide, two of them are already going at a double-digit number and one is going at a high single-digit number. If the distribution can ramp up very substantially post the regulations being notified, does it give you any headroom to accelerate your sales growth from the existing brand in a very substantial or sizable way?

And more than about that, you obviously have new brands which you can sort of bring in. So are we looking at an accelerated growth phase for the consumer piece subject to the OTC regulations coming through as you see them or as you intend for them to come?

Himanshu Bakshi: You're absolutely right. In terms of one of the key levers, as I mentioned, penetration is key for us, which means definitely in terms of expansion in terms of your general trade, in terms of pharmacies, in terms of all the key outlet classes that we have, including modern trade e-commerce, we still need to accelerate and put in the right inputs there. So the idea again is to go behind it, invest behind it and make the penetration bigger on the brands, which definitely means a promising growth for the business moving forward.

Gagan Thareja: I have one more question. Can I take it or would you?

Radhika Shah: No, I would be...

Gagan Thareja: Would you rather that I get back to you?

Radhika Shah: Sorry, Gagan, we are close to 3 p.m. and I think we need to move to the next one and next one will be the last one, please.

Moderator: Thank you. We'll take the next question from the line of Premal Sanghvi from Vama Financial Services. Please go ahead, sir.

Premal Sanghvi: Good afternoon. Can you hear me?

Radhika Shah: Yes.

Premal Sanghvi: Can you hear me?

Rodolfo Hrosz: Yes, we can hear you. Let's see if we can understand because our sound here is not working so well today, but please go ahead.

Premal Sanghvi: My question is on the type 2 diabetes which you have recently launched, Soliqua, in the month of April. I believe the price point is around INR1,800 rupees. Can you just share what will the market size of this opportunity of this drug in India could be like? And the second question would be, what is the diabetes portfolio new launch going forward for the company would be?

Rodolfo Hrosz: Right, so what is the second question?

Premal Sanghvi: That diabetes portfolio of Sanofi looks like in the next two, three years. What are the new launches happening?

Rodolfo Hrosz: All right, so first one, Soliqua is relevant. So we don't give forward-looking estimates, right? Much less on a particular brand. But I can speak about the size of the market, which is what you asked. So the size of the market is around INR1,000 crores, right? Yes, I'm trying to convert it to euros and rupees.

INR1,000 crores, which is the same size of the market where we compete with Lantus and 2Gio [55:54], right? It's a very large market where we don't compete. And we believe Soliqua has the strength to achieve leadership in that segment of premix, that segment of INR1,000 crores today.

So then you can make your own projections, if you will. But we think that the advantages of Soliqua is that you give it the credentials to over time achieve leadership in that segment, right? Now, I can't go beyond that. But it is a relevant market with a launch, with a product with potential to achieve leadership in that relevant market, right? So that's question one. And then I think that if you want to get to numbers, you have to do your own projections.

But then the second question about the future of the portfolio, we have just introduced a number of products in India. We need to leverage them, make the most of this portfolio. We're gone be focusing on bringing Soliqua up to its full potential in the market in the coming months and years.

That will be a priority for us. Parallel to that, we continue to work on the expansion of Lantus volumes in India. Coming out of the NLEM, with the price reduction on Lantus, we see an opportunity for Lantus to expand its penetration and grow its volume. As I mentioned before, we already see a volume expansion.

We believe that this volume expansion is gone accelerate and be sustained for a prolonged period of time. We're generating more growth for the business and penetration for basal insulins in the market. In addition to that, we still have a recently launched 2 GEL, which is growing at a very fast pace and gaining more and more the preference of HCP for a segment of the patients that they treat for diabetes type two.

So right now we have a relatively ample portfolio in terms of insulins in India, catering to each specific segment, each of the key segments in the market. In addition to these insulins that I mentioned, Lantus, 2 GEL and Soliqua, you will remember that we mentioned insutage, which is the human insulin, locally produced, coming to the market also at this time.

So we have clearly strengthened the portfolio already. And then it's going to be a lot of our focus and work in the coming months and years for us to bring these products to their full potential in our market. Beyond that, you may have read, you may have seen that the Sanofi Group has acquired a company called Prevention Bio, which has developed a product called TZIL.

TZIL is a first-in-class product for diabetes type one. Now, we are also bringing that product to the Indian market as well, as it is a high prevalence of diabetes type one in the Indian market. So a lot in the portfolio right now in terms of the insulins. We have also strengthened the oral anti-diabetes portfolio with a larger set of PNS. And we may bring soon our first-in-class therapy for diabetes type one as well. So very rich portfolio and very rich pipeline at the same time. I hope that that answers your question, your two questions.

Premal Sanghvi: Yes. Thank you very much. And if you can just share, what will your market share in the insulin market in India? If you have some data, what would be your market share in insulin market in India? Total insulin, 8% total insulin.

Rodolfo Hrosz: And total insulin, I don't know, in basal insulin, what is the market share in basal insulin?

Premal Sanghvi: I thing, in basal insulin, it would be about 38%.

Rodolfo Hrosz: 38%, we today have 38%. Let me put it that way because that's a more important thing for you to understand. Imagine two big segments, basal and premix. Basal, we have 38%. Premix, we had zero. Now we have Soliqua, which we believe can achieve leadership in that segment. So, and both same sides, right? Basal and, roughly same side, basal and premix. So that's the market share figures you need to have in mind.

Premal Sanghvi: Thank you very much. Wish you all the best.

Rodolfo Hrosz: Thank you very much.

Radhika Shah: Thank you. So I think we are almost, we've crossed 3 pm., but thank you very much to all the participants for attending this investor call.

Rodolfo Hrosz: Thank you very much. Very, actually, I want to thank you also for the quality of the questions. Very good questions, very thoughtful questions, which allows us to address some of the key points with you, which is always a pleasure. I apologize on our side for the distorted sound. We'll work to make sure that next time we don't have that problem, but it was a little difficult for us to capture what you were asking, except for Radhika that seems to be able to get the questions very clearly, despite the distortion, we all, the three of us had a little difficulty, and I apologize deeply for that issue on our end.

Moderator: Thank you. Ladies and gentlemen, on behalf of Sanofi India Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your line.