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Dear Sirs,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith transcript of our Conference Call which was held on Tuesday, 15th February, 2022 to discuss the Company's Q3FY22 earnings and business update.

Thanking you

Yours faithfully
For Ipca Laboratories Limited



Harish P. Kamath
Corporate Counsel & Company Secretary

Encl: a/a

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“Ipca Laboratories Limited Q3 FY-22 Earnings Conference Call”

February 15, 2022



**MANAGEMENT: MR. A.K. JAIN – JOINT MANAGING DIRECTOR.
MR. HARISH KAMATH – CORPORATE COUNSEL AND
COMPANY SECRETARY**

**MODERATOR: MR. NITIN AGARWAL – DAM CAPITAL ADVISORS
LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the IPCA Laboratories Q3 FY22 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Agarwal from DAM Capital Advisors Limited. Thank you and over to you sir.

Nitin Agarwal: Thank you Vivian. And good afternoon everyone a very warm welcome to IPCA Labs Q3 FY22 Post Earnings Call hosted by DAM Capital Advisors Limited. On the call today we have representing IPCA Lab management, Mr. A.K. Jain, Joint Managing Director and Mr. Harish Kamath, Corporate Council and Company Secretary. I will hand over the call to Mr. Jain for the opening comments and then we will open the floor for question and answers. Mr. Jain, please go ahead sir.

A.K. Jain: Thanks Nitin and DAM Capital for organizing this call. Good afternoon to all participants and thanks for taking our time and joining us for Q3 FY22 earnings call. Today’s earnings call and discussions and answer given may include forward looking statements based on our current business expectations. They must be viewed in conjunction with the risk that pharmaceutical business faces. Our actual future financial performance may differ from what is projected or perceived. You may use your own judgment on the information given during the call.

Excluding the exceptional business for the last financial year, in first nine months of the current year, we have achieved on a standalone basis a growth of almost around 13%. Our branded domestic and ROW market recorded a very strong performance in this quarter. API, institutional and generic business recorded a decline in the business in this quarter. Domestic formulation business delivered almost around 23% growth for the quarter from 523 crore to around 645 crore for the quarter. Domestic API based business delivered around 16% growth from 71 crore to 86 crore for the quarter. ROW promotional market formulation business recorded a growth of almost around 41% from Rs.78 crore to almost 109 crore in this particular quarter.

Overall generate business was around 179 crore as against 218 crore last year, a decline of almost around 17%. Institutional business also declined in this quarter to 59 crore from 139 crore last year, which also included, last year’s figure also included a certain kind of exceptional business of around 35 crore and export API business is around 224 crore for the quarter as against 278 crore in last financial year. The generic business in UK is mainly impacted with much lower shipment to our distributors in UK we have started our own distribution arm in that country. The building sustainable business now in UK will take some more time. Institutional businesses impacted by the lower shipment in the quarter and exceptional business in last financial year in Q3. However, for full financial year we are confident that we will achieve our guideline of around 350 crore on institutional business.

On API business for the quarter is mainly impacted because of two reasons. One was the current issue of Azido impurities on Sartan which we have resolved now, we have filed the process and started production, but business stabilization will take some more time. Probably some business will get even impacted in Q4 FY22 but we expect that business should get normalized from the first quarter of next financial year. The second reason was the exceptional business of Hydroxychloroquine, Chloroquinewhat we had in last financial year that has impacted this business. Overall domestic business highlight is that, most therapeutic areas that delivered very strong growth, in pain we have for the quarter growth of almost around 22%. Cardio diabetes growth is around 14% antibacterial has almost around 20% growth for the quarter anti-malarial has significant growth in this quarter around 34% from 19 crore to 26 crore. Cough and cold was the therapy which industry and we both everybody has grown very well in this quarter, business from 24 crore has gone to 36 crore, almost around 51% kind of growth. Derma has also delivered around 32% growth, CNS 29% and neurology 42%. So, overall domestic business has delivered very good growth in this particular quarter. And in first nine months of the current year the domestic business has also recorded a significant growth overall.

Overall pain portfolio contributes almost around 48%. Now, on in the overall business cardio diabetes contributes almost around 17%, anti-bacterials overall in pie it has gone up to around 8% now. Anti-malarials around 6%, derma has added more business so it is now contributing almost around 5%, cough and cold is contributing around 5%, CNS and neurology both are contributing around 3% in overall pie.

On margin front on standalone accounts if we look at in Q3 we have delivered a gross margin of almost around 67.5% as against first nine months gross margin of 67% and EBITDA before Forex gain and loss is almost around 23.49% as against 25% in first nine months of the current year. In spite of elevated raw material rates, the gross margin remain at +67% is due to the better product mix sales with higher margins. However, the PBT, profit before tax got impacted due to higher energy costs, higher shipping and logistic costs. Higher manufacturing costs overall inflations and higher marketing cost with full return of marketing and promotional cost post COVID. Having given the brief overall background, I now invite the question – answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Naresh Goswami from Sameeksha Capital. Kindly proceed.

Naresh Goswami: So, first question is, what would be the reasonable growth guidance for FY23 for export formulation and export API business considering the capacities and approvals which we have or which you are expecting for next few quarters and if you can break this up between generics, institutional and branded generics it will help.

A.K. Jain: Overall for next financial year we will give growth guidelines only after our budget exercise is currently going on. So, after the budget exercise is complete, we will give the guidelines in the fourth quarter results when we announce around that time we will give the guidelines of both overall revenue as well as on EBITDA front. As far as the fourth quarter is concerned we are likely to grow around 20% in the fourth quarter on standalone basis.

Naresh Goswami: Okay. And as far as margin is concerned, you mentioned because of better mix we are maintaining the margins, but our two, three questions over here, one is have you started taking price increases and does this include the increase in freight and power cost as well and how soon we can expect this margin to return to a guided range of 25%, 26%?

A.K. Jain: Let's say as far as the domestic market pricing is concerned we are continuous basis whenever the month on which the prices are due to be taken because the 12 month cycle need to be seen. You can't increase prices before that period is over. So you can increase only after the 12 month cycle is completed. So that we are on continuous basis we are taking the prices. As far as generics are concerned, pricing is a regular phenomenon depending on the how the prices of API's are behaving, and negotiations with the buyers but, in this particular period the price increase has been minimum because number one European itself was getting impacted and there was higher inventories in the market and demand was slow. And therefore the price increases even of those API prices have gone up price increases were to that an extent. As far as API markets are concerned, the price increases are regularly taken only after the existing orders are serviced. But if you look at the material cost, trade wise, if you look at let's say, overall, the crude prices have gone up because of that fallen prices are still continuing to rise. So that's one major cost which is continuously increasing. But as far as other material costs are concerned, more or less, I would say that they're not going down and they are not going up, more or less if the elevated level which we have seen in earlier quarter. That's a continuing and what we are hearing from market and our talk with a lot of Chinese manufacturers and others, we see that little demand is going up because most players in the market has covered the requirements up to the fourth quarter of the next financial year, because a lot of uncertainties, Olympics, energy crisis in China and all that. So their demands are little going down. So it appears that probably from the first quarter or so, the raw material prices trend may little come down. But solvent doesn't constitute much, it's only 10%, 15% of overall API cost. So that's rising. Other cost, which is rising is paper, but that's again a small part of the overall cost. So, I would see that overall next financial year the overall prices trend may little come down. So, prices of let say on antibacterial front is rising because of Pen-G shortage and Pen-G prices are still going up, but we are not getting impacted. So maybe cephalosporins and other all the beta-lactam products the prices may go up, but we are not impacted because we are not a large player as far as the antibacterials are concerned.

Naresh Goswami: Okay. So, considering what all the scenarios which we mentioned, can we reasonably say that this quarter's margin are kind of bottomed and it should trend upwards from here or is it still difficult to assess that?

A.K. Jain: If you look at overall gross margin levels, so probably we would be remaining at the similar kind of level, we have achieved almost around 67% in current quarter and probably margin levels would remain at the similar level. But on the expenditure front, yes the cost are everywhere rising, we have faced in this year, your coal cost or maybe energy cost going up almost by around 55%, significant cost, freight cost have more than doubled. So those logistic cost are significantly higher. We don't see still that's coming down, overall all the chemicals for testing and others we buy practically cost has gone up significantly. So those cost has also gone up in this year by almost around 22% to 25%. Practically and marketing cost has written back, all the cost are return back because now in last financial year, half of the year people were sitting at home and we were paying them salaries, they were not working because of the COVID scenario, but now their travels and all the promotional costs are practically have returned back. So, we are currently at the full cost, which we are hitherto incurring on the promotional side and on the field staffside. So that cost will be there. So overall gross margin level we will continue to remain at around 67% or so. But this other cost is definitely on rise.

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

Prakash Agarwal: First one is on the Sartan, so what I heard was it is now stabilizing. But in Q4, the impact would be there and it would normalize by Q1. So, what is it sir taking so long, we mentioned in the last call that Q2, Q3 will be done. What was if you could just remind us what was the issue and why is it taking long?

A.K. Jain: Let's say when this issue came, when we had a call around that time, the newer process validations was started. So, it was already one month has passed subsequent in this particular quarter. So, after the validations only then you again start sampling and a lot of those issues, the documents and all sent to the parties and also those issues are there. And thereafter, the production stabilizations based on the newer process has started, we are again working on and in this process, some kind of capacities are going down, because additional step of purifications are introduced. So, we are working on some kind of new process, which is again under validation right now, which will also further increase our overall production to the earlier level. So some kind of productions has also gone down in this particular period and impact has continued for half of this quarter. And the business somewhere where your loss business gaining it again will take some more time. And therefore from overall from next financial year, first quarter itself. We already started signing the long term contracts with the buyers and all that. So long term means yearly contract with buyers and the business volumes are returning back, I would say so we are no concern that volumes will go anywhere else, we will definitely be able to have our volumes back in the next financial year. But business will remain impacted in the fourth quarter of the current year.

Prakash Agarwal: Okay. And just a follow up here. So these are related to the API business in Europe, or the generic business or both?

- A.K. Jain:** It's basically, everything what I'm talking is about the API Losartan.
- Prakash Agarwal:** Okay. And when this returns, your gross margin is likely to improve since it was higher margin business for us?
- A.K. Jain:** Overall API margins are not that higher compared to the overall formulation margin. But margins would more or less will remain at around gross margin level will remain around 67%.
- Prakash Agarwal:** Yes, that is very clear. And the second question was on the cost side, which you mentioned that while gross margin will remain 67 but with the cost, what you're hinting is cost are still on the rise, it is not stabilizing, at least for Q4 and in Q1 there is expectation.
- A.K. Jain:** Cost are definitely on the rising trend because of overall inflation in Indian economy and a lot of chemical costs and solvent costs and all logistic costs, container cost, everything has gone up here, everything has gone.
- Prakash Agarwal:** And this you expect to come down by Q1 or you were just mentioning about the input cost?
- A.K. Jain:** Still there are no sign coming that your logistic costs are coming down, coal cost has some what little come down but is still almost 50% higher than earlier it was almost around maybe around more than 100% increase, more than 100% increase. But some cost has come down but still 50% higher than the earlier level. The energy cost is still elevated level now.
- Prakash Agarwal:** So, 21%, 22% is a fair margin versus a 25% in the past?
- A.K. Jain:** I would give the guidelines for next financial year after the Q4, very clear guidance would be given.
- Moderator:** Thank you. We have the next question from the line of Kunal Dhamesha from Emkay Global. Kindly proceed.
- Kunal Dhamesha:** So first question on the quarter four, so will we see the similar kind of profitability seasonality in Q4 as well, which we'll see usually see historically, that Q4 profitability is quite lower than the other three quarters?
- A.K. Jain:** Let's say overall turnover in Q4 is normally down because let's say around, if you see our first quarter was almost around 1500 crore close to that, second quarter was one close to 1400 crore, this quarter is around 1300 crore. Q4 numbers are normally lower because domestic business around that time that business is little lower but domestic business growth in this year is very good. And it's continuing in the, but overall numbers will be on a lower side let's say overall business in last financial if you see the Q4 number was on a lower side our business was almost around 1100 crore. So, on that we will have almost around growth of around 20% in the fourth quarter. But it would remain lower than the Q1, Q2, Q3.

- Kunal Dhamesha:** Sure. And on the India business you suggested that in September, October time we will take a lot of price increases. So, from a portfolio perspective what proportion of India business we would have taken the price increases for this financial year?
- A.K. Jain:** Practically if you look at overall what we have achieved a business growth in first nine months is almost round 31%,out of which 25% is your volume growth and balance is price growth.
- Moderator:** Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.
- Surya Patra:** Just, one more clarification on the Divas plant side. So, that you mentioned you have released a press notification saying that okay, we have commercialized partially. So, could you please give some clarity about partially means what extent and what benefits that it can add to and will that lead to a kind of expanded gross margin scenario because it could provide some record integration to the existing operation and when the plant will be fully operationalized. So, some sense on those sites sir.
- A.K. Jain:** Let's say Devas, I would say that there are two plants we are putting up, one is a bigger plant and another one was smaller plant, the bigger plant still work is going on and probably even by March, practical it will get commercialized only in the month of April or so, there is a smaller plant, out of smaller plant also one section we have started commercializing on urgency basis, because one of the intermediate we are falling short off and we wanted immediately the capacity. So, even though this plant is not designed for intermediate production, we are started some intermediate production there in one particular section. So, that we have expedited that so, that some kind of shortage which we are facing that is taken care of, but overall commercialization of the entire plant would taken in the next financial year only.
- Surya Patra:** It is on track to get commercialized?
- A.K. Jain:** Yes, that is on track, it was to be over in the Q4,Q4 the plant would be ready completely and we will start commercial production from the next financial year. It's only a small sections, we have started some intermediate production there.
- Surya Patra:** Okay. Sir, second question is on this UK distribution issues, we have in the recent past sometime that on and off that we have been seeing this issue of for distributions, what is the real issue, a long way only that we had shifted to our own distribution channel and all that, so still we are facing similar kind of issue again. So, is it because of the COVID related or it is another the old issue some clarity?
- A.K. Jain:** Typically, we have one distributor in UK and in past also we have faced some problem relating to delays in payments and therefore we stopped further shipment and then they regularized the account and they started paying money on regular basis. But recently we are seeing the same trend again and therefore we have stopped the further shipment to them and therefore that has also impacted in this.As far as the our own distribution is concerned. The large amount of files

are lying with your NHRI, the regulatory agency in UK we have almost launched around six, seven products there but there is a tremendous amount of delays happening in getting the approval because in UK even artwork need to be approved everything needs to, even though those products are in market now since it's being launched in our own name. Earlier it was in the name of distributors taking those approvals are taking time and there let's say out of the basket of almost around 40, 50 product we had just launched six, seven products. So, it will take maybe around a year's time to get all the approvals in place and then launch everything. So, our own distribution will take some more time. So, I see that UK business will remain impacted maybe around at least three, to four quarters this will get remain impacted. If the distributors to whom we were supplying their current positions and all doesn't improve and they start paying us in time we will not make supplies to them.

Surya Patra: Okay. Just one on the subsidiary side if you can give clarity, about your subsidiaries what is in the performance and also during the quarter?

A.K. Jain: Subsidiaries wise if you look at we have, the overall numbers let say Bayshore Pharmaceuticals has overall done in first nine months a turnover of around 110 crore the distribution they are taking off the generics of other manufacturers and all, and they have contributed a loss of around 18 crore in this year. Onyx Pharmaceuticals has a good growth almost around the 98, 99 crore turnover they have contributed and they have contributed a PBT of almost around 26 crore in this year. So, very good profitability overall. Tropic Wellness has done business of around 61 crore and they have contributed almost around 14 crore to the PBT. The other companies are let's say Pisgah we have started now, the business has started reviving now there. But overall in this year, they have contributed a loss of around 13 crore.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Kindly proceed?

Swechha Jain: Sir, I have actually two questions about the recent acquisition that we made in Lyka Labs. So, my first question was the company has Lyka facilities and we don't have it. So, how do we plan to scale our Lyka business post this acquisition and also, they have recently expanded their Lyka capacity. So, what kind of turnover and margin you think this company can do at a full capacity?

A.K. Jain: Lyka is a listed company, and I would not like to comment on our call on Lyka, but, yes we have already started some kind of capacity debottlenecking and all that exercise is currently on and so, that will take some more time. And as far as our plan was there to integrate those all products in our market, where we are doing the branded promotions and all that and our hospital coverage in various country. So all those registration mapping and filing registrations and that process is going on. So that will definitely give us advantage in terms of addressing various country tenders and also give the advantage in terms of promoting those kind of injectables in ROW markets and all, and there business will grow. So, overall that's the business plan.

- Swechha Jain:** Actually, I have one more question regarding this acquisition. So, the question was, old promoter still have a significant stake. So, what kind of management control do we have or will we have over this company and do we intend to help them reduce the finance cost and raising working capital because what I understand is, we enjoy that advantage in the market whereas they have a high interest rates, like the debts at high cost. Just wanted to understand our reasoning?
- Harish Kamath:** Madam these information's are already given in our offer document. Okay, so whatever there ARC borrowings were there it was a very high rate of interest. Most of those borrowings are now repaid out of the funds what we made available to them. So that was given in our open offer document. So there cost of borrowing has substantially come down, right. And as far as the holding is concerned, the promoter family is holding just 20%. Debtors were holding even earlier also and our holding is slightly above the promoter family holding.
- Swechha Jain:** Okay. So will we have a management control over that?
- Harish Kamath:** That is madam already disclosed now. So once this open up for formalities which just got completed now, payment is pending post that we will be adding our Directors on their Board and we will be the promoter of that company. Those things are already made very clear in our open offer document under the SEBI takeover regulations.
- Moderator:** Thank you. The next question is from the line of Surabhi Saraogi from SMIFS Capital. Kindly proceed.
- Surabhi Saraogi:** My question has been answered. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjaya Satapathy from Ampersand Capital. Kindly proceed.
- Sanjaya Satapathy:** Sir, just want to clarify, did you give a guidance of 20% growth in revenue in quarter four?
- A.K. Jain:** Yes, on a standalone basis that is right.
- Sanjaya Satapathy:** And sir the second thing I wanted to ask you is that your domestic growth has been pretty strong and well ahead of industry, and most other companies, is it because of some particular COVID related factors or something or it is something which is more structural, and can sustain for a fairly long time to come?
- A.K. Jain:** We don't have any COVID related product in our portfolio. So except that Hydroxychloroquine last year whatever sold, it was not a COVID drug, it's it was repurposed for COVID. And so, that was the business mostly happen in the first three quarters in the last financial year, but in current year there is no COVID business as far as we are concerned. Overall, I would say that the whole for industry and for us also your acute portfolio has done really very well in the current year, because of high level of infections and cough and cold and

so many other issues and post COVID complications to many people's and all that. So that has also helped overall for the better growth of your domestic market. But as far as if you look at past 8, 10 years, we have been continuously growing around one and a half times the overall market growth. So and that trend is perfectly continuing and in current year, because of the overall very good, overall seasonality and our promotions. And that has definitely helped us in achieving much better growth. So in first nine months of the current year, we have achieved almost around 31% kind of growth and in this quarter also, we had a significant growth of almost 23%. And overall, even the trend in the month of January was also significantly higher than what we have achieved overall up to now. So overall, let's say business in domestic is very good. And the market growth was also good. I would say that and we expect that we will continue to beat the overall pharma market growth by around one and a half times. That's our future guidance, but what kind of overall pharma market growth would remain and all that we will give the overall guidance only after the fourth quarter.

Sanjaya Satapathy:

Sir, your ability to grow at 1.5 times the industry growth will be driven by extension of your product therapy targets or it will be more of mining the same pain and all those categories in which we are already doing so well.

A.K. Jain:

Let's say by and large the business growth will come from the categories which we are already in. Like say 15 years back, 10, 15 years earlier back we were nowhere in the scene as far as the outsource for pain management business is concerned today almost around 48% of our business is coming from pain. We have built a lot of other therapies like Derma, we have built a neurology, we have built ophthalmology we are building. So all those newer therapies – Neurology we have built up. So those kinds of therapies are now under built up and we are further increasing in next financial year some more divisions on cardiac sides and on ortho side, so to further accelerate the overall growth. Our overall alignment to the growth market is also very good. We have a very small part maybe around 60, 70 crore of portfolio which is on decline phase, rest all are in the growth stage. So, overall portfolio alignment to the growth market is also very good in our case. And then we don't have too many products in the market, our whole business philosophy is that to see that the product become big so, we don't keep on adding too many products in a division we hardly add a product in a year or some line extensions if only some as a service product, but we don't add too many product in the market because it's basically the India market is highly crowded, in each segment you see every company in cardio diabetes will have three, four, five marketing divisions. So, the doctors who can really prescribe and give you more prescription, they are just not by the 25, 30 companies, but maybe around the 100 divisions of those companies. So, every therapy this is the kind of scenario. So, on base you have a focus around the product and very, very category, your conversion plans and retention plan, it's very difficult to get the mindshare of doctor and then prescriptions from that. So, market is fiercely competitive and we have to remain focused. So, we don't add too many product.

Moderator:

Thank you. The next question is from the line of Naresh Goswami from Sameeksha Capital. Kindly proceed.

Naresh Goswami: Sir, I want to ask about the cash outflow tax this year and next year, not in terms of accounting tax if you have provided in the P&L but the cash flow percentage?

A.K. Jain: Overall let's say we are a net company and whatever net rate of tax is there that is what is the cash outflow in there, we are not up for the new rate of tax because still we have a lot of MAT credit lying in the books of accounts and some MAT credit is not in books of accounts, because earlier we were not recognizing the MAT credit as such. So, the overall we have currently after filing the last financial return, I have almost around 365 crore of MAT credit still remaining in the books overall, which is credit is there. So probably even the next financial year also and a year thereafter, we would continue to remain in the MAT and thereafter we will have opt for tax rate of 25% and the surcharge. So, that's a broad guidelines I can give you at this level. Currently, let's say provisions are made at the rate of 32%, 33% tax rates are there out of which some credit are utilized out of MAT and tax payment is around 17%, 18% or so. After two years probably we will definitely be under the 25% kind of tax rate. Current outgo is maybe 18 so that will go to around 25% after two years.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Kindly proceed.

Nikhil: Just one question, on the promotional market. If we look at it like for last three, four years, our sales has been in a band of 350 to 400 crore, how do you see the market evolving and is it like for last two years has COVID been a big issue, COVID has been a big issue, but do you see the original growth rate of the market sustaining to what it was and any new markets which we are looking to enter?

Harish Kamath: Nikhil, this kind of business get, promotional market business get impacted by a lot of factors. The country stability, the currency stability, that all impact and last few years even though we had a significant volume growth, overall the numbers has not, your revenue numbers has not grown to that an extent mainly because of CIS market. The Rouble used to be around 33 to 35 level, it went up to 70, 75 level, the prices in that market has not gone up 100% or maybe more, because you can increase prices only to the extent of inflation's there. So, basically, that advantage got diluted had it Rouble remain at around that level probably the business would have been double and everything could have added to the margin. So, that has not happened. But in the meantime, we are building the business into other geography. Now, let's say French speaking African markets are now becoming almost at par with the CEZ market. So CEZ business has in terms of overall number, even though the quantity maybe more than doubled there, but in terms of your overall revenue numbers has remained more or less at the similar kind of level. So, we have been growing around 15% year-on-year on this therapy and current year also, we expect that kind of growth excluding the exceptional business in last financial year, but on Hydroxychloroquine Chloroquine shipments to the various all these promotional market. So, current year also the business growth in these markets around 15% and for all of the year we expect that kind of growth to be there, but excluding that kind of exceptional business what we had on Chloroquine and Hydroxychloroquine in last financial year.

Nikhil: Okay. And secondly, on the subsidiary the number which you gave, just want to understand because if I separate the console and the standalone, a large part of the impact has been because of the subsidiary. So, any way where we are thinking of like, controlling the cost, because sales growth for last like even for like nine months, if we see the sales growth has been pretty good, but the cost has been significantly impacted. So, anything which you are thinking or is this the kind of performance will sustain?

A.K. Jain: Current financial year the cost has definitely moved up. And it cannot be compared with last year because last year, there was hardly any kind of promotional cost were there and manufacturing costs because of overall inflation's and energy cost and overall lot of external factors, shipping costs and all that has gone. Margins could have improved significantly, but material cost this year has significantly gone up, rates has significantly gone up in spite of that we could maintain the overall gross margin levels is only because of on continuous basis, the prices in the market and wherever the cost has gone up we have tried to see that how do we take the price increases and those kind of things, so overall the cost levels has definitely moved up as far as subsidies are concerned. Few subsidies are making very good profits and few are making losses. I would say that as far as your, (Inaudible) 43:16 is concerned that much better improvements will come in the next financial year. Ramdev also things have started improving. Onyx is doing very well we are further expanded there. And business growth will continue to remain very well. And as far as Bayshore is concerned is by and large a trading so it's maybe some kind of one time some loss is there on Bayshore on account or one particular product, but that's not a normal thing last year they made profit and the next financial year also they're likely to make profit. And between the standalone and your console, the difference is just this is getting offset and there is a minor difference of two, three crores, the standalone profits are higher by few crores compared to the consolidated.

Nikhil: Sir, what is this onetime loss in Bayshore if you can just?

A.K. Jain: Basically some product related loss, it's a trading some loss is there.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Financial services. Kindly proceed.

Tushar Manudhane: Sir, just on the other expenses which has been higher both quarter-over-quarter and year-over-year and considering the logistics cost remaining at the elevated level. So 340 crores is kind of a run rate to go for next few quarters or you see this number coming down 1Q FY23 onwards?

Harish Kamath: Tushar more or less, whatever the other expenses are showed in the current quarter that run rate will continue.

Tushar Manudhane: And then next year given that it will be more of a full-fledged marketing promotion expenses assuming COVID don't come back then this whatever annual incremental increase can be expected?

- Harish Kamath:** That is correct, right. So, this year whatever expenses are shown all field staff expenses are back to normal in the current nine month period. So, those expenses will also continue in the next financial year, plus whatever inflation related additional cost.
- A.K. Jain:** If the things get normalized at China level and all that geopolitical risk is not there, logistic cost cannot continue to remain at these high level for a very long period of time, energy cost which has gone up probably it's an exceptional thing which has happened in this year, it will remain some kind of elevated level, but some reduction would happen already coal cost has started coming down, but petroleum are still at high level. So, your AFO and all those cost is high. So, it all depends on a lot of the geopolitical issues and how China factor gets, but overall, I feel that one material cost wise, somewhere the price reductions will start coming in from the first quarter of the next year, the prices may go down a little.
- Tushar Manudhane:** Fair point sir. And just on Losartan while we've been validating the process and subsequently more or less we are done with in terms of removing of Azado impurities, but the existing products in the market that don't carry any risk of recall and only right?
- Harish Kamath:** No, there has been no recall. Today also many countries allow the old process Losartan. In many country pharma whatever the Azado impurities are not even included today.
- A.K. Jain:** It's only in the Europe, but following Europe a lot of customers has started taking the newer material.
- Harish Kamath:** Even though their country requirement is such not there but they are asking for the lot which is not having this impurity.
- Tushar Manudhane:** Understood. And just lastly, if I may ask on a institutional anti-malaria, so considering the nine month sales of almost about 240 crores and then we are guiding for 350. So the quantum in the fourth quarter is expected to be reasonably higher. That's bass the new contracts which you have got or it's more of a pending contracts which are to be executed more in 4Q?
- Harish Kamath:** Mostly pending only Tushar, you can't get a new contract and execute everything within three months, not possible.
- Tushar Manudhane:** Is there some kind of shipment?
- Harish Kamath:** Shipment, deferment, delays because of container those things are also factored in.
- A.K. Jain:** Projectable business in this quarter was lower because there was a media field and almost around.
- Harish Kamath:** So, it is a planned shutdown. So, there was a production loss also because of that plant shutdown.

- Moderator:** Thank you. The next question is from the line of Parth Dalian from DAM Capital. Kindly proceed.
- Parth Dalian:** My first question pertains to the India business. Could you share some light on the growth of our domestic business for the next financial year given the high base for the company?
- Harish Kamath:** Sorry, Mr. Jain has already informed during our next quarter con-call we will give guidance for the next financial year. So as far as this financial year and the last quarter of this financial is concerned, the guidance is already given.
- Parth Dalian:** Okay, thank you and the second question would be on the NLEM share and the price hike. So, what is the current share of our India sales that falls under the price control?
- Harish Kamath:** About 25% and whatever price increase will come because of this price index growth every company for that matter will take that kind of a price increase and we will also take from 1st April.
- A.K. Jain:** Our calculation suggests that we may get around over 50 crore kind of price rise on Aniline from 1st of April.
- Moderator:** Thank you. The next question is from the line of Saion Mukherjee from Nomura. Kindly go ahead.
- Saion Mukherjee:** Sir, on the domestic market, what is the MR strength that you have and expansion plans, if you can talk about?
- A.K. Jain:** We have currently around 5000 MRs and probably the three more divisions we are heading. So, next year, the overall expansion may be around 700 to 800 more people.
- Saion Mukherjee:** Okay. And sir this expansion is primarily sort of aimed at reaching more doctors and more geographies, that seems to be the focus right sir?
- A.K. Jain:** Let say ortho, the rheumatoid arthritis and osteoarthritis and all the pain segment is our focus area and we have significant market share and leadership there, we want to further fortify that and therefore, we are adding one more division on our ortho site. So that's one particular step we are taking and on cardiovascular front also the CTD range is doing very well and CTD brand, with that brand almost stretching around, around 130 crore in current year with our reach is increasing with the cardiologist and overall in that market and therefore, to en-cash that we are further adding people and also at the high end cardiology we are adding another division which will have a lesser number of people. So, there are two divisions are being added on cardio, cardio diabetes side and one in ortho side. So, that will be the expansion in next year. So, overall range from 5000 currently may go up to around 5700 or 5800.

- Saion Mukherjee:** Correct, sir the growth that you are witnessing I'm just wondering if it is possible to sort of plate out like how much of it is coming from let say a new prescriptions that you're generating from a new doctor sorry, versus higher prescriptions from existing doctors?
- A.K. Jain:** Practically everywhere 80:20 principles work so, 20% of doctors will give 80% of prescription, what is our focus remain is we try to convert one product prescribe into two product prescriber, two into three, three into four, but the major business what you get is from the core doctors, if I get Zerodol prescription from ortho, that has much more value compared to a Zerodol prescription from a GP, because the ortho can write if he's writing my product, he can write 25 prescription compared to a GP writing one prescription. So, whole focus is on core. So, whether its cardiology or all so it's doesn't matter that if more number of doctors prescribing compared to that if a core doctor prescribes that our business multiplier effect is much more. So, our focus is around core.
- Saion Mukherjee:** Right. So, would you say 80% of your let say Zerodol prescription would be coming from ortho specialists?
- A.K. Jain:** Let's say Zerodol all is covered by various specialties, ortho is one of them and ortho is the major prescribers.
- Harish Kamath:** Dental is there, ENT is there.
- A.K. Jain:** Yes, so practically and even in Zerodol even considering positions because the people with low back pen kind of issues or maybe soft tissue, pain problem and all will not reach to ortho. So, each product wise in that also there is a sub segmentations are there. So maybe one those kind of product, consulting conditions becomes a major prescriber. So it's all depend on each product offering and who are the core for that particular product offering.
- Saion Mukherjee:** Right. And sir just one more question strategically, you seem to be sort of developing strong relationships with some of these specialists. So, why not sort of launch more products, you mentioned that you're very selective in the product to launch. So, how do you leverage these relationships, either through acquisition or your own launches, any thoughts there to sort of, go beyond like two or three big brands which are anyway doing very well for you?
- A.K. Jain:** We leverage relationship like say ortho we have built a very strong relationship. And there is a limitation to add the products in the existing divisions and therefore we are starting a new division and new divisions will ever faster success rate because of existing relationships. Similarly, we are building a very strong franchisee now in cardiac. So, we are now leveraging that through aiding more division so that, but we will continue to remain focus on the products because the market is fastly competitive, you can't relax. Otherwise, you will also start losing the existing businesses because if you go and talk of 10 products to doctors, he may not remember one, it's very difficult because he is also hard pressed and that there are en-number of reps chasing to a prescriber. So, if you are focused, then you get a good amount of prescriptions. And then you keep on converting one product prescriber to two product, two

product to three products, five products, six product subscriber and that's how you start gaining the significant amount of businesses. So, then those kind of doctors becomes a core doctors to you. So, then we monitor each core doctors who are writing for us that no visit should be missed and we continuously guide them which are the product to be prescribed to them. So, and all those kinds of things are continuously monitored, each doctor wise they are monitored by the company.

Moderator: Thank you. The next question is from the line of Vinod K and Individual Investor. Kindly proceed.

Vinod K: My question is regarding your recent investment in company called Lyka Lab. And there you mentioned that you want to enter into lucrative lyophilized injectable business. So, sir I just want to understand like, how big is this opportunity for IPCA and how you want to grow further in this space?

Harish Kamath: It is too early to say how big is the opportunity and there is lots of gestation period also in building this business, what we will be now initially doing is to register the products which are one of Lyka in the ROW market while we are operating through our own field force. We are doing that branded business in about 40 countries in CIS, Latin America, Africa, Southeast Asia and all. So, that is our initial work what we will be doing, but it takes time actually you develop a product, you file a Dosis registration, there could be inspection triggered, registration takes time. So, it is a business having a lot of gestation period, but we have already started that work and that was our interest in acquiring this company.

A.K. Jain: Lykadebottlenecking they are doing by way of further expanding that lyophilization capacities and all, so that work is going on it will take some more time.

Vinod K: That's fine, sir but from opportunity side's point of view of how you see, short medium or long term?

A.K. Jain: Those question Lyka will have to reply, it's a listed company we will not reply for Lyka.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Kindly proceed. As there is no response, we are moving on to the next question. The next question is from the line of Kunal Dhamesha from Emkay Global. Kindly proceed.

Kunal Dhamesha: So just one clarity on the MAT credits, sir you mentioned we have 360 crore MAT credit till the last income tax filing. So, I believe that for FY22 we'll be using roughly 180 crore out of that and then for FY23 would be 180 crores utilization roughly 15% of our PBT in each of the year. So wouldn't you say that in FY24 we'll be back to the new regime of 25%.

Harish Kamath: Broadly, Mr. Jain said next two financial year that is FY23 And FY24. More or less we should be in the MAT only. So post that we may go for the new regime that was told actually.

Kunal Dhamesha: No, but does that assume that some of the off book, MAT credit you will be able to utilize because the math is not basically adding up if we had 360 crores MAT credit and we'll be utilizing 180 corona for FY22 and 180 crore for FY23 then for FY23 we'll need to utilize of book MAT credit something like that?

A.K. Jain: Overall credit is around 360 crore out of which some credit will be utilized in current financial year. And major part of that will be utilized in next financial year thereafter, because there are some kind of incentives are still there on particularly on Sikkim. So, one plant that deduction is going away for 10 years are completed, second plant is still there. So, it's not as simply numerical that half will be utilized this year and half will be utilized next year, it will depend on whole amount of tax calculations which are the incentives which are still available. So, I would say that March 22, and March 23, probably in two years the whole credit may be utilized, whatever remaining credits are there that may, because once you opt for the new regime those credits will lapse, and therefore we are not a lot of credits which are not there in books, because earlier we were not accounting, we are not taken those credits in books, because we really don't know today that how much of those credits will get laps it all depends on CAPEX calculations and overall profitability and what kind of overall incentives are available and all that. But definitely, your current year as well as next year, we are on MAT and thereafter, even if there are credits left and this is small credit, probably that will lapse because once you are opting for new tax regime, neither you can have incentive nor you can utilize the past credit. So that will all that and we have made a provision on deferred tax also in the books at a higher rate because current rate of tax since we are at 33% now, because we have not opted so some kind of those deferred tax credit will also get reversed in books. And that figure maybe around 80, 90 crore or so, that deferred tax liability will get reversed. I don't have right now the exact calculation, but broadly I'm telling you, right now these are the numbers.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to the management for closing comments.

Harish Kamath: Hope we have already, whatever questions were asked, we have already answered I don't think there is anything further to add to what we said. Thank you so much.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us. And you may now disconnect your lines.