



“FDC Limited Q4 & FY22 Earnings Conference Call”

May 27, 2022



**FDC MANAGEMENT
TEAM:**

**MR. NANDAN CHANDAVARKAR – JOINT MANAGING
DIRECTOR**

**MR. AMEYA CHANDAVARKAR – CEO-INTERNATIONAL
BUSINESS & EXECUTIVE DIRECTOR,**

MR. SANJAY JAIN – CFO

**MS. VARSHARANI KATRE – COMPANY SECRETARY &
COMPLIANCE OFFICER**

**MR. MAYANK TIKKHA – AVP, BUSINESS DEVELOPMENT &
COMMERCIAL EXCELLENCE**



*FDC Limited
May 27, 2022*

Moderator:

Ladies and gentlemen good day and welcome to FDC Limited Earnings Conference Call for the quarter and year ended 31st March, 2022. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the brief highlights on the financials from the management. 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 Ms. Varsharani Katre – Company Secretary and Compliance Officer of FDC Limited. Thank you and over to you madam.

Varsharani Katre:

Good afternoon, everyone and welcome to all of you. Glad to connect with you all for this year ended earnings call. We have already disseminated the financial results of fourth quarter and year ended 31st March 22, and the investors' presentation as well. Now I would like to introduce the FDC management team present in this Earnings Call.

We have with us Mr. Nandan Chandavarkar – Joint Managing Director, Mr. Ameya Chandavarkar – CEO, International Business & Executive Director, Mr. Sanjay Jain - Chief Financial Officer, Mr. Mayank Tikka – AVP Business Development and Commercial Excellence.

We will begin the earnings call with the highlights on financial results of the company by Mr. Sanjay Jain, CFO followed by an interactive Q&A session. There might be certain forward-looking statements. These statements are subject to certain risks and uncertainties, since they are based on certain assumptions and expectations of future events. I would request all the speaker participants to restrict their queries to five minutes only and avoid repetitive queries to save up on the time.

With this, I shall now handover to Mr. Sanjay Jain – CFO. Sanjay over to you.

Sanjay Jain:

Thank you Varsha. Good afternoon, all. this is Sanjay Jain. I will take you through the financial numbers for the quarter March ‘22 and the year end March ‘22. So, to begin with our revenue performance; on a top line we grew by 9% on a YOY basis on March ‘22 quarter and at 15% growth on a year-end. This growth mainly from our domestic formulation business which has given a growth of 18% YOY on March quarter and 31% on a year-end basis. This growth mainly driven by our large brands like ZIFI, Electral and Enerzal. We are also happy to inform you that our both brands ZIFI and Electral have first time crossed 300 mark as per the MAT IQVIA data on



*FDC Limited
May 27, 2022*

March '22. The growth from the domestic business has been subdued with the export sales, the de-growth which is around 15% on YOY for the March '22 quarter and by 35% on a year-on-year basis at the year end. This is mainly because of the de-growth in our US business on account of price and lower demand due to the competition.

On the margin side, more or less the margin remains stable for the quarter and for the year end barring around 1.5% impact on the overall gross margin. However, there is a one-off impact on our gross margin. That is because of the provisioning which we have made towards the COVID related inventory, amounting to Rs. 11.70 crores. The margin is also impacted because of our US business which is a highly profitable business. So, that's why the overall gross margin looks on the lower side as compared to previous quarter and the previous year.

Going further on the employee cost, the employee cost is more or less stable at 22% to the revenue. As there are no major expansion to the field barring few additions of the headquarters. Coming to the EBITDA margin which now stands at 5% on a YOY for the March '22 quarter and on 16% for the year end. This being on the lower side because of the lower base of the expenses which was there in the last financial year means March '21. As you all are aware in the March '21, the first half was completely under lockdown and travel and all were restrictive by the government of India. That's why the major of the expenses related to the marketing, traveling and few of other administrative overheads were on the lower side. Because of these reasons the expenses were not there in the March '21. Because of all these reasons the profit before tax and profit after tax as compared to the last year March '21 quarter as well as year-end March '21 is on the lower side. Thank you. Over to Varsha.

Varsharani Katre:

Thank you Sanjay. Now I request moderator to initiate the Q&A session.

Moderator:

Thank you very much ma'am. We will now begin the question-and-answer session. The first question is from the line of Prithvi Raj from Unifi Capital.

Prithvi Raj:

My first question is in regard to the line mentioned in a press release with regards to the inventory material destruction of one-time effect in Q4 FY22. So, can you please elaborate on that, what is this regarding?

Sanjay Jain:

You must be aware; we have launched the COVID related products in the financial year 2021 ending. This inventory as you are aware that the inventory is having the short shelf life and the sales of these drugs has now been over a period of time



*FDC Limited
May 27, 2022*

decreasing. So whatever inventory which was lying as on 31st March, 2022 amounting to Rs. 11.7 crores, we have provided considering the shelf life.

Prithvi Raj: Okay got it. To that amount gross margin has been impacted and any other reason apart from the impacting the gross margins other than the whatever raw material inflation or solvent plus inflation we are seeing.

Sanjay Jain: This was the only one-off kind of an item. Apart from this one-off there are inflationary increase on the raw material and packing material which is to the extent of a 1% to 1.5% on a quarter and a YOY basis.

Prithvi Raj: Just one question on our OPEX part. We have spoken about increase in marketing etc. and we have seen that number in OPEX. Our OPEX base which was pre covid 80 odd crores last quarter and last to last quarter we did 95-100 crores. This quarter despite low revenue base, it was 110 crores. So is it fair to understand that large part of it is because increase in marketing spends?

Sanjay Jain: Yes. As I explained, the expenses were not there in the March '21. On incremental basis these numbers look on the higher side. So, I will give just the number on the...

Prithvi Raj: If we look at QOQ basis from Q3 FY22 to Q4 FY22?

Sanjay Jain: On QOQ basis the expenses are more or less in line with that, the marketing cost.

Prithvi Raj: Then what explains 95 to 111 crores increase in cost?

Sanjay Jain: Apart from marketing costs which is a normal just about 1.5 crores, there are other costs with respect to the logistic cost, the admin cost, then the few CSR expenditure which were not there in the Q3 were also being there in the Q4. All these have mounted to increasing the overall operating expenses as compared to Q3 numbers.

Prithvi Raj: Just one question on the logistics. Can you explain from FY21 to FY22 what was the logistic costs as a percentage of revenue in FY21 full year and FY22 full year?

Sanjay Jain: Logistic costs you want in terms of number or in terms of percentage?

Prithvi Raj: Anything that is convenient.

Sanjay Jain: Overall logistic cost meant put together domestic as well as exports, this will be somewhere around 3.5%.



*FDC Limited
May 27, 2022*

- Prithvi Raj:** For FY22, last year what was the number?
- Sanjay Jain:** The same was around the 2.5% in the March '21.
- Prithvi Raj:** Got it. Basically, despite decrease in export revenue the number has gone up by 1%?
- Sanjay Jain:** Yes.
- Prithvi Raj:** Just now last question. The exports revenue, so Q3 was I think the worst quarter we have had in the last few quarters and there is some growth from Q3 to Q4. What explains that sequential expansion in revenues, is it because of US or other markets?
- Sanjay Jain:** From Q3 to Q4?
- Prithvi Raj:** Yes.
- Sanjay Jain:** Q3 number from the export formulation business was 26 crores and it's 30 crores on a Q4 basis. We have some US contribution as well. I would say the major shift is not there, means the more or less number for the Q3 and Q4 for export sales are on the same line.
- Prithvi Raj:** Now on the capital allocation part. So, we did this buyback in Q4. Now our understanding is that it can do almost like after 12 to 15 months. So, in FY23 we might not do any buyback. So will we allocate, will we payout based on some dividend or will be a very small portion?
- Sanjay Jain:** We would not like to comment as of now because it's a board decision. We will come back to you whenever the board decides. From the regulatory perspective you must be aware that once the buyback has been given, there's a cooling off period of 12 months. Regarding the decision on the buyback or dividends, it's a board decision which will be conveyed to you in due course of time whenever the board decides.
- Moderator:** The next question is from the line of Aditya Khemka from InCred AMC.
- Aditya Khemka:** You must have already taken price increases in the India business in April. Can we get some sense as to what is the level of price increases, we have taken and the NLEM portfolio and what is the level of price increases we have taken in the non-NLEM portfolio?



*FDC Limited
May 27, 2022*

- Sanjay Jain:** For the NLEM portfolio we have taken a price increase by 10.7% and wherever possible for the non-NLEM portfolio by 10%.
- Aditya Khemka:** What would have been the weighted average price increase for the entire India portfolio?
- Sanjay Jain:** It could be anywhere around between 70 to 80 crores on an annualized basis.
- Aditya Khemka:** Our India sales is 1000, so 7% to 8%, less than 7% to 8% actually?
- Sanjay Jain:** Yes, so 1,300 crores.
- Aditya Khemka:** And 70 to 80 crores is on the 6%, 5% to 6%?
- Sanjay Jain:** Yes.
- Aditya Khemka:** That sounds on the lower side. That means in majority of our non-NLEM portfolios we have not taken a price increase.
- Sanjay Jain:** So, what happens the non-NLEM portfolio, it's not due everything on the 1st of April. It will keep getting due on a full year basis. The price increase we may not get on the 1st April for all the portfolio. As and when gets due and as and when the 12 months period over, we take the price increase. When you calculate the weighted average, mostly it falls between 7% to 8%.
- Aditya Khemka:** I understand and given the raw material prices where they are now and the price increase that you have taken, do you believe in FY23 we will be able to do better gross margins than we did in FY22 or will it be worth?
- Sanjay Jain:** So, you are all aware there are input costs are going up everywhere. We are not sure how it will pan out in the next 12 month of period. We have to wait and watch so that we can give you further guidance on that.
- Aditya Khemka:** Last question in terms of CAPEX plans, what do we have for FY23 and how much do you plan for FY24 if you have that number?
- Sanjay Jain:** We have planned about 120 crores for CAPEX plan for the next financial year.
- Aditya Khemka:** And next year, the year after that?



*FDC Limited
May 27, 2022*

- Sanjay Jain:** As of now that we have planned for the FY23 only and other major project which we have I think already explained in our previous call, about our ALP 4 which is already budgeted.
- Aditya Khemka:** It's likely that your 120 crores CAPEX for FY22 will continue in FY24 because of the CAPEX.
- Sanjay Jain:** Yes.
- Aditya Khemka:** The plan is more than 200 odd crores right?
- Sanjay Jain:** Yes.
- Aditya Khemka:** It will be both years 120, understood.
- Moderator:** The next question is from the line of Jayant Mamania from Care Portfolio Management.
- Jayant Mamania:** Good Afternoon ! In the press release you have written that you are going global for Electral and you have received registration in several countries. Can you tell us the present geographic distribution of the Electral sales and which countries we have received registration and what are our future plans and what kind of growth are we expecting?
- Ameya Chandavarkar:** So, this is Ameya Chandavarkar. We have been selling Electral in Myanmar. So that's one important market. We have quite ambitious target there. Apart from that in UAE also we've registered the product. There are few other markets. It's a little early now to talk about specific market and specific sales targets. As and when we start selling and once, we start performing in these markets we will keep you all updated.
- Jayant Mamania:** Have you planned any marketing budget to launch this product globally?
- Ameya Chandavarkar:** What we are doing in Myanmar is we are to an extent partnering with our distributor there to promote the product. There is a promotional budget in Myanmar. Similarly, we will consider promotion budgets where it makes sense in the other markets.
- Jayant Mamania:** What is our present sales beyond India, outside India Electral?



*FDC Limited
May 27, 2022*

Ameya Chandavarkar: Right now, so we do not give specific numbers on Electral. As an ORS category we are selling about at least 30 to 40 crores from our export formulation business. That includes ORS also, so it goes as a generic and when we participate in tenders.

Jayant Mamania: So Q4 margins were under pressure due to raw material price increase. So how is the present scenario?

Sanjay Jain: As I explained the Q4 margins are under pressure mainly because of 2-3 reasons. One is the one-off item which I explained on account of COVID related inventory which has impact of close to 2%. Also, the revenue from our US business is on the lower side. Third is an inflationary increase across the board on the raw material and the packing material. These are the main three reasons for the lower gross margin for the quarter.

Jayant Mamania: There was a plan to spend around 250 crores on office buildings, so is that still on?

Sanjay Jain: Yes. So that is going on. The construction work is going on at our plot at Oshiwara. So still at a very early stage. It will take at least 2-2.5 years to complete.

Jayant Mamania: In next 30 months we'll be spending 250 crores on office building. What would be the size of the building in terms of square feet?

Sanjay Jain: So first of all, I don't think its 250, it's more or less around 200 odd crores. It will be about 10 storied building which will be having area of around 1 lakh square feet.

Jayant Mamania: The land already belongs to us. This will be spent only on construction cost, correct?

Sanjay Jain: This 200 crores is only our construction cost including the interior.

Jayant Mamania: We have around 1000 crores cash in the balance. So can you tell us how we have planned to use this?

Sanjay Jain: So first of all, I think you are looking at the number of March '22 which is not 1000, it's around 850, out of 850 recently you must have received buy-back money also. So, we spent close to 170. Now the balance is around 750 odd crores.

Jayant Mamania: Is there any acquisition on the card?

Sanjay Jain: That will be communicated to you as and when it's crystallized anything.

Jayant Mamania: Any negotiation going on?



*FDC Limited
May 27, 2022*

- Sanjay Jain:** So, we can't comment upon on this.
- Jayant Mamania:** Okay. Thank You.
- Moderator:** The next question is from the line of Neelam Punjabi from Perpetuity Ventures.
- Neelam Punjabi:** My question is in relation to the previous participants question on the export formulation business. As I see in Q4 FY22, our export formulations was 47 crores versus 37 crores in last quarter. Just wanted to understand what has driven this growth QOQ and is this number a base that we can take on which we can grow in the future?
- Sanjay Jain:** Yes. So, the numbers are right. The reason for the de-growth in the Q4 as I explained is mainly because of our US business. I would say to some extent these numbers are affected was a one-off kind of a reason maybe in Q4 also because we were at good healthy number in the March of the last year also. So, you can take the March '21 as a base number for the future growth purpose.
- Neelam Punjabi:** But I was trying to understand quarter-on-quarter, the number has gone up from 37 to 47. What has led to this growth quarter-on-quarter?
- Sanjay Jain:** So that's because of our US business only.
- Neelam Punjabi:** Okay got it. Could you give us an outlook for FY23 in terms of top line growth in the entire international business as well as the domestic business? For domestic business as you know FY22 was a very strong year for us, 31% YOY growth which would have been driven by COVID. Are we confident on growing on this base of FY22?
- Sanjay Jain:** We would not like to comment on this number as of now because it's still very early stage. Although we have factored in to grow internally but would not be able to give any guidance on this number's perspective.
- Neelam Punjabi:** My second question is on the other expenses. You said that we had lower other expenses on account of COVID in FY21. However, if I look at your pre-COVID run date of other expenses, it was around 80 crores on a quarterly basis versus in this quarter we have registered around 111 crores of other expenses. So, what is the reason of this sharp jump in other expense line item?
- Sanjay Jain:** So first of all, I would say it's not comparable compared to Q3 versus Q4 or even if you are comparing last year Q4 versus this Q4 and numbers may vary on a quarter-



*FDC Limited
May 27, 2022*

to-quarter basis. The reason being you are comparing March '20 which is 2 years back than the March '22. Secondly the revenue numbers for the March '20 and the March '22 was much higher than March '20. Third, all the expenses which were there in the March '20 are on the related to the revenue numbers. I would say like the marketing budget or the logistic number or few semi- variable costs which are related to the revenue. The revenue has gone up in the March '22. All the operating expenditures which are variable or the semi-variable costs will naturally increase to that proportion. This is a precise reason for the increase in the operating expenses in March '22.

Neelam Punjabi: Is it fair to assume that this 110 crores of other expense and 80 crores of staff cost, 190 crores for the quarter. So about 750 to 800 crores is the base of fixed expenses that we will incur in FY23.

Sanjay Jain: Right.

Neelam Punjabi: Lastly, I just wanted to understand, we have a capital working progress of 105 crores. So, what is this in related to?

Sanjay Jain: I just explained, our construction work for our new office at our Oshiwara place is going on. For which we have paid certain construction cost and the government premium which is to the extent of 60 crores out of this 100 crores and the balance related to one of our projects at our Waluj plant related to ALP 4 which is total budget is around 70 odd crores, out of which we have spent which is included in CWIB to the extent of 7 crores and the other items related to the few civil expansions which we have taken up in other plant at Goa, Sinnar and few other replacement and upgradation budget for all over the plants.

Neelam Punjabi: Just last question on my end, in the previous calls we've mentioned that we are confident of growing ahead of the Indian pharma market. Are we still confident on growing ahead of IPM in FY23-24?

Mayank Tikkha: So, hi this is Mayank, we said this in the last call, we are still internally confident but as you might have seen there's a lot of corrections happening in the market post COVID and market is behaving in a very uncertain manner. Though internally we have the confidence but probably we cannot guarantee any number or growth prospective because the market is not to be predicted as of now. You might have already gone through the market numbers of April whether it is AVAX or IQVAI;



*FDC Limited
May 27, 2022*

both have shown high negative growths. So, we are still watching. We are working our ways through our portfolio and we'll keep you posted in our subsequent calls.

Neelam Punjabi: Okay. That's helpful. Thank you.

Moderator: The next question is from the line of Nikhil Jain from Galaxy International.

Nikhil Jain: Thank you for the opportunity. First, I see that we have provided the breakup of all the key brands but in some of the brands we seem to be losing market share. So, while we are growing but we seem to be losing on the market share. Is there any specific reason for that or any comments on that part?

Mayank Tikka: If you're referring to our presentation which we uploaded yes, we have lost our market share in Enerzal slightly. This is mainly because this market is very different than maybe there are lot of factors into it. This is a very wide category market where lot of players keep on entering every year. It is not a 100% prescription driven market of energy drinks. That is the reason why we have lost but the domain at which we operate that is the doctor fraternity and the chemist business probably we have not lost any market share but to be fair we have given you the market dynamics overall. As far as Electral is concerned which we have maintained our market share and leadership as compared to last year and in Zifi also which is our #1 flagship brand, there also we have maintained our leadership. Enerzal yes, we have lost, we are working our way up. We would try to regain if possible. We are aggressively working on this brand.

Nikhil Jain: Second question was with respect to the US market. We seem to be, we are putting lot of efforts and energy behind the US market. However, the numbers as we all understand are not so consistent because it's a very competitive market. So, what is management's view and strategy for US market given that we are going through a partner and we don't intend to be there directly present over there?

Ameya Chandavarkar: We'll continue to keep registering products so we own the ANDA and continue to partner with the existing partners, maybe new partners. Also, we have not categorically said that we don't intend to be there ourselves so I'm not sure where you're getting that information from. We are still open to that possibility. However right now we are happy partnering and it's been a very lucrative market for us, particularly from the bottom-line perspective. It is a key focus market for us.

Nikhil Jain: If you're not let's say vertically-integrated this time. Normal tablet odd products would be very difficult to sustain in the US market so that is what at least I have seen



*FDC Limited
May 27, 2022*

with some of the big companies. So, while our specialty of eye drops and ophthalmic products, I think it would be good for us but if you go into generic regular products then it's going to be a very competitive market. So that's where I'm just trying to understand that rationale. If we go through partner and then in generic me-too products, it is going to be a difficult market.

Ameya Chandavarkar: I completely agree with you. We appreciate what you're saying completely and your point is well-taken.

Nikhil Jain: Ok. Thank You. Just one last question. How much is the R&D spend that we did for this year? If you can break it up for India and the other markets, it would be great if it is possible?

Sanjay Jain: R&D expenditure is in the range of 2% of our revenue only. On this time, we will not be able to give you the break up between India and exports business. But you can drop an email, we will provide that information to you.

Nikhil Jain: So, 2% is very small in any case and I think India doesn't need so much of R&D spends. So, most of it could be directed towards the US and other regulated markets. Ok. Thank You.

Moderator: The next question is from the line of Payal Lad from Progressive Shares.

Payal Lad: I just wanted to ask you that as you mentioned there that was a one-off item of Rs. 11.7 crores with regards to COVID related inventories. Just correct me if I'm wrong, was a provision created for this quarter or is this amount already expensed out?

Sanjay Jain: I would say it's the one and the same thing. We are carrying the inventory of COVID related drugs and inventories as of 31st March is a short shelf-life inventory. To have a prudent accounting we have provided that inventory as a part of provisioning to the inventory. That's why it's charged to a P&L.

Payal Lad: That's already been expensed out for this quarter?

Sanjay Jain: Yes.

Payal Lad: Additionally, so did you see any COVID contributions or from your COVID related drugs or is it a fading effect as of now considering the receding cases?



*FDC Limited
May 27, 2022*

Mayank Tikkha: We launched a couple of drugs but majorly it was Favipiravir which we launched and we did get a revenue of approximately Rs. 18 crores odd last year but we don't see a future and that is why we have completely withdrawn ourselves from that market now because the number of cases what are prevalent as of now in India are not substantial enough to substantiate any direct treatment in the form of Favipiravir. So, it is internal call which we have taken from a marketing standpoint. We will not be moving forward with this any kind of therapy as such.

Payal Lad: That would be completely excluding from the Favipiravir sales or like any COVID related drugs that come up in the near future?

Mayank Tikkha: Again, future I cannot define. This was a major launch which we did. Apart from this there were couple of very small launches which were not significant but in future we will see how the, as I said the market is very dynamic and newer drugs keeps on coming but looking at the current spectrum, we are not taking any calls on COVID related products.

Payal Lad: So, the entire portfolio would contribute roughly about what percentage to your sales?

Mayank Tikkha: You are asking for COVID?

Payal Lad: Yes.

Mayank Tikkha: Again, this is a very broad, COVID was a broad terminology. There were certain drugs that I said Favipiravir was a direct treatment to COVID but overall, you might be aware that many of the antibiotics, co-therapies have also gone up last year during COVID. These were our maybe main stay products which we are entering. They got a traction during COVID because of allied prescriptions which doctor was generating during COVID era. That business completely doesn't get impacted any which ways with or without COVID.

Payal Lad: In terms of Favipiravir so are there any backlogs which were there since you are saying that you would exclude this seeing the scenario or like everything is done and dusted for now?

Sanjay Jain: So, everything has been done in March '22 quarter itself.

Payal Lad: Okay Thank You so much Sir !.



*FDC Limited
May 27, 2022*

- Moderator:** The next question is from the line of Niraj Kamtekar from Prospero Tree.
- Niraj Kamtekar:** I have two-three questions. The first question is related to the medical representatives, number of the medical representatives. In the current presentation, investor presentation it was given that the 3,200 something numbers of the MR and in the earlier presentation it was mentioned as 4,000 the November month's presentation, 4,000 medical representatives were mentioned. Why the number has been reduced from 4,000 to 3,200 numbers?
- Mayank Tikkha:** We checked the last presentation but it might be the total field force what we might have mentioned earlier, there's no reduction, what I can tell you. In fact, in the last year, we have expanded in the number of MRs overall because we launched in the month of April our new Nutrica division which we'll be focusing on nutritional basket specially the IMS products and also in January we launched our Zocon division which is also our flagship brand to cater to the dermatological baskets. In fact, we have increased our number by approximately 500 odd people in the field, that is MRs. We will definitely check what we have presented in the last presentation. It might be the total field force. Here 3,242 is only the MRs, only the grassroot people who are working in the field.
- Niraj Kamtekar:** The company, in the last two buybacks were at the rate of 470 and 450 per share and each buyback the promoters have participated and naturally the respective number of shares are accepted for them also and the current market price is at least 40% to 45% discount to the buyback price. In such situation the promoters are not considering the buying the shares from the open market. If they have feel that there is intrinsic value which is more than the current market price and the buyback was at Rs. 450 or 475. So, what is your comment?
- Ameya Chandavarkar:** It's a good suggestion.
- Niraj Kamtekar:** Any major product range under the pipeline to be launched?
- Mayank Tikkha:** As of now we would not like to disclose. Once we launch anything very significant, we'll definitely inform you in our subsequent interactions.
- Niraj Kamtekar:** The Enerzal is more of a soft drink or energy drink product. Do we have any particular marketing budget to promote that product? Because you consider that for the launching of these types of products there's no restriction. There must be a tough competition from other players also. For us any marketing budget or marketing team has been considered?



*FDC Limited
May 27, 2022*

- Mayank Tikkha:** This product we do agree as I said, that is a very widespread product. A lot of competition from FMCG players are also there but we being the prescription driven company as of now we have gone through the route of doctors and chemists only. There are some efforts which have been made but they are not very significant to take it to the other channels. As of now whatever sales we are generating, it is mainly from our doctor prescription support. It is a very scientific based though we call it an energy drink but it is a very scientific energy drink with a doctor prescribes in various indications. We will see how we can move with this product in future. As far as your budgeting is concerned, marketing budget is in line with the divisional budget and the overall corporate domestic marketing budget. We don't have any special allocations for this brand.
- Niraj Kamtekar:** The dermat will be the next focus area after the Zifi product and ORS then third will be the dermatology, so dermat products?
- Mayank Tikkha:** We already were present in the dermatological basket because Zocon is a significant product which the market size is almost 51 crores for us. We are always present in this therapeutic but what we have done a change is that these products were spread out in various divisions. We have consolidated that therapy into one basket. This division though the therapy would be dermatology but they would be catering to other specialties also wherever the derma products are being used. Just to give you some is gynaec, even GC physician but yes you identified it correctly directly, probably this will be one of the focus area we will try to grow further in times to come.
- Niraj Kamtekar:** In that division any cosmetic product will be launched other than the prescribed products? Any cosmetic products fall under the dermat category?
- Mayank Tikkha:** At this juncture I will not like to comment on this. As I said as we take any steps further, we will be informing you of any development.
- Moderator:** The next question is from the line of Nikhil Jain from Galaxy International.
- Nikhil Jain:** One was on South African subsidiary. How is that business performing? Now we have majority and almost complete stake on that so any and what is the management's outlook and strategy towards that business?
- Ameya Chandavarkar:** Nikhil we have hired a new person also there to hit that business and things are starting to look better than they were the past. Early days right now we believe that it will take us at least 2 maybe 3 years to turn that business around and over a period



*FDC Limited
May 27, 2022*

that entity at FDC SA can serve as our head office for the entire at least the Southern part of that continent. We are quite optimistic about the prospects of that business.

Nikhil Jain: Another question is on with respect to the export formulations sales. Outside of the US, how much is our export formulation sales and what is the trend over there? What are the major countries outside of US where we actually export our products and any specific thoughts on how do you want to increase that if you're planning that?

Sanjay Jain: As of now if you look at the quarter March '22, 50% of revenue coming from US business and the rest is spread across the other countries.

Nikhil Jain: We are continuously registering products in some of these countries also including let's say for example, South Africa?

Ameya Chandavarkar: Yes, absolutely.

Moderator: The next question is from the line of Neelam Punjabi from Perpetuity Ventures.

Neelam Punjabi: While I understand that or you all are refraining from giving any quantitative guidance but if you can please help us understand that over the next 2 to 3 years or 5 years what pushes the key growth drivers for the FDC? What would be the key focus areas for us? Just wanted to understand what is the management vision for FDC over the next 3 to 5 years, the long-term vision?

Mayank Tikkha: So, I will answer that in two parts. When you look at our key growth drivers, you are already aware that we are big into antibiotics. We are continuously focusing on our antibiotic portfolio and we are trying to revamp some of the low-end antibiotic therapies which we are already present for the future. We are trying to create bigger brands out of our antibiotic portfolio which we have been already marketing for almost 5 to 7 years. This is one. The another segment which we are already present, our two big brands Electral-Enerzal and these are very buoyant in today's market. We are definitely working our way up and fortifying ourselves as a distinct leader though we enjoy the leadership but we are trying to regain more market share and try to take the volumes up for these two brands. Apart from the newer interventions what we have done, I explained in the last question that we have now come up with two more divisions in the last financial year. We are definitely focusing on the Nutra basket for the next 3 to 5 years. Our presence was already there but yes, we are going very hard on these therapies now, our definite focus is there on Nutraceutical baskets and the results are very encouraging for the first financial year. Apart from this as I said the second division which we have launched definitely in the derma category of



*FDC Limited
May 27, 2022*

products. This is one area which we are trying to fortify our presence. We already have one big brand in the form of Zocon, other brands like Mycoderm, Cotaryl which are already there. We definitely will be moving into this category and try to gain some market share, additional market share in the next couple of years. The third category which we are focusing now is the cardio-diabeto market where again we are present, we have volume but are not a very significant player as of now. One division definitely is focusing on this market. These are couple of broad points which we are working on and we are confident in next 2-3 to 5 years probably these categories of products or broader category of products what I said would be able to drive growth for us. Any further opportunity which comes our way, we'll definitely look into that also.

Neelam Punjabi: This was on the domestic side. If you can just also highlight our key strategic initiatives for the international business as well?

Ameya Chandavarkar: Sure. What we are currently doing in international business. If you look at our base, it's relatively low compared to our peers and also as a proportion of total revenue, our total international business is relatively small. There is significant potential for us to grow not only in the regulated markets such as the US-UK but also in many of the other smaller markets or let's say slightly less regulated markets. We are registering products across the globe. That is a key focus area. Also, wherever possible we will start investing in promoting our products in international markets. Earlier we spoke about how we're starting to promote Electral in Myanmar. Similarly, we'll take up specific markets. In Kenya also to an extent we are participating in promoting our products through the distributor there. That's how we will move forward in international business. We are quite optimistic that the next 3 to 5 years we should be able to grow meaningfully in international business overall.

Neelam Punjabi: Lastly on my end, a couple of years back in the annual report we had mentioned that we acquired this brand from GSK EnteroPlus. If you can just give us an update how is that brand doing? Is it picking up right now?

Mayank Tikkha: We acquired this brand 2 years back but unfortunately because of the COVID lockdowns we couldn't work on that, work our ways through that brand. The volumes were pretty low but now we have taken that brand very aggressively and we are looking forward for milking this brand. Just for your information we have also added couple of more SKUs in this portfolio. We have added the capsule formulation and we are also coming up with the drops for the neonates. We are taking this brand very seriously and we have taken aggressive targets for the current financial year.



*FDC Limited
May 27, 2022*

- Neelam Punjabi:** Does this brand has the potential to be among the Top 10 brands of the company?
- Mayank Tikkha:** Very difficult to say, very early days because our top brands already touching Rs. 300 crores what we share. Now this molecule or maybe this product, doesn't have that kind of potential in the market as of now; as of now we are talking about. So difficult to comment. I cannot say whether it will be coming into the Top 10 but definitely it is among the top focused brand where we are working on.
- Moderator:** The next question is from the line of Niraj Kamtekar from Prospero Tree.
- Niraj Kamtekar:** One of the dermat product of the Glaxo Zimig cream is either withdrawn or not available in the market. Can company consider to launch such product or buy such brands which is the famous in the market, particularly the Zimig cream?
- Mayank Tikkha:** We have to check details. As of now I cannot comment on this.
- Niraj Kamtekar:** Because we have also one of the dermat portfolio. It is not available in the market. Earlier we have also the EnteroPlus was bought from the Glaxo; that's why I asked this question?
- Mayank Tikkha:** We'll definitely check and revert back to you.
- Niraj Kamtekar:** Thank you Sir ! Okay.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Ms. Varsharani Katre, Company Secretary for closing comments. Over to you ma'am.
- Varsharani Katre:** Thank you all for joining this earnings call of FDC and expressing your views. In case if you have any concerns, please reach out to us on investors@fdcindia.com . Thank you again. Over to you moderator.
- Moderator:** Thank you. Ladies and gentlemen on behalf FDC Limited that concludes today's earnings call. Thank you for joining us and you may now disconnect your lines.