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- CIN: L00305MH1973PLC174201

15<sup>th</sup> February, 2023

To,

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

**Sub: Q3 FY2023 - Earnings Conference Call Transcript**

We enclose herewith the transcript of the “Q3 FY2023 Earnings Conference Call” which was hosted by the Company on Friday, 10<sup>th</sup> February, 2023.

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

Kindly take the same on record.

Sincerely,

For **Alkem Laboratories Limited**

**Manish Narang**

**President – Legal, Company Secretary & Compliance Officer**

Encl: a/a



“Alkem Laboratories  
Q3 FY2023 Results Conference Call”

February 10, 2023



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

**MANAGEMENT: MR. SANDEEP SINGH – MANAGING DIRECTOR - ALKEM LABORATORIES**  
**MR. RAJESH DUBEY – CHIEF FINANCIAL OFFICER - ALKEM LABORATORIES**  
**MR. AMIT GHARE - PRESIDENT, INTERNATIONAL BUSINESS - ALKEM LABORATORIES**  
**MR. YOGESH KAUSHAL - PRESIDENT, CHRONIC DIVISION - ALKEM LABORATORIES**  
**MR. AMIT KHANDELIA- ASSISTANT VICE PRESIDENT FINANCE - ALKEM LABORATORIES**



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**Moderator:** Ladies and gentlemen, good day, and welcome to Alkem Laboratories Q3 FY2023 Results Conference Call hosted by Motilal Oswal Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services. Thank you and over to you Sir!

**Tushar Manudhane:** Thank you Tanvi. Welcome to 3Q FY2023 Earnings Call of Alkem Laboratories. From the management side we have Mr. Sandeep Singh - Managing Director; Mr. Rajesh Dubey - Chief Financial Officer; Mr. Amit Ghare - President, International Business; Mr. Yogesh Kaushal - President, Chronic Division and Amit Khandelia – from the Finance team. Over to you Amit for the opening remarks!

**Amit Khandelia:** Thank you Tushar. Good evening everyone and thank you for joining us today for Alkem Laboratories’ Q3 FY2023 Earnings Call. Earlier during the day we have released our financial results and investor presentation and the same are also posted on our website. Hope you had a chance to look at it. To discuss the business performance and outlook going forward we have on this call the senior management team of Alkem. Before I proceed with this call I would like to remind everyone that this call is being recorded and the call transcript will be made available on our website as well. I would also like to add that today’s discussion may include forward-looking statements and the same must be viewed in conjunction with the risks that our business faces. After the end of this call if any of your queries remain unanswered please feel free to get in touch with me. With this I would like to hand over the call to Sandeep Singh to present the key highlights of the quarter gone by and strategy going forward. Over to you Sandeep!

**Sandeep Singh:** Thank you Amit. Good evening to all of you and thank you for joining us today for our Q3 FY2023 Earnings Call. I would briefly take you through the key operational and financial highlights of the quarter gone by and would then leave the floor open for Q&A.

This quarter has been a strong quarter for the company with year-on-year revenue growth of about 16%, EBITDA margin improved substantially from the previous two quarters and came in at 19.7%, and the PAT after minority interest at about 450 Crores. During the quarter we generated cash in excess of 500 Crores, which has helped us further strengthen our balance sheet with a strong net cash position of 1900 Crores as on December 2022. In a recent development with regards to Biosimilar business Enzene Biosciences, this company has raised about 161 Crores, and partnered with Eight Roads Ventures and F-Prime Capital. This further instills our confidence and reaffirms our journey towards building a leading



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global biological company that leverages innovation to enhance global health. After having commercialized three products in Indian market Enzene has launched Adalimumab in this quarter, Enzene has also received approval for Cetuximab, which would be a fifth Biosimilar product in Indian market. We are seeing good traction on CDMO side also and we expect CDMO segment to make a meaningful contribution to Enzene in the coming years.

Building on the pace of Q1 and Q2 our India business delivered a good growth of 9.7% year-on-year during the quarter. We have outperformed the market in all quarters of the financial year and in Q3 our performance is even starker than the Indian pharmaceutical market as per secondary sales data by IQVIA. While IPM grew by 10% Alkem grew by 16.7% thereby beating market by 670 basis points. We have gained market share across all acute therapies areas of anti-infective, vitamins, minerals, nutrients, pain management, and gastrointestinal. In chronic therapy areas like anti-diabetic, neuro, CNS, and urology, we are growing far ahead of the market. Our growth in these therapy is more than three times the market growth rate. We have gained 3 ranks in anti-diabetic, 2 ranks in neuro, CNS, and 4 rank in urology during the quarter.

Moving on to our international business. After two quarters of subdued performance our US business posted a strong growth in Q3 on the back of good season in US market. US business posted a year-on-year growth of 33% and sequential growth of 26% in rupee terms. During the quarter we filed 2 ANDAs with US FDA and received 3 approvals including one tentative approval. Our other international markets delivered a year-on-year growth in excess of 15% on back of good performance majorly from Chile and Kazakhstan.

Coming to regulatory inspection conducted by US FDA during the quarter. In terms of regulatory status of our manufacturing facilities Saint Louis was inspected in the month of November for which EIR is received. All our manufacturing facilities supplying to the US market have an EIR as on date.

To summarize we have delivered another quarter of market beating performance in our domestic franchisee and we would continue to maintain our leadership position. A lot of cost optimization projects are underway in the organization, benefits of which will start acquiring in the coming period. With this I would like to open the floor for Q&A. Thank you.

**Moderator:**

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



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**Saion Mukherjee:** Thanks for taking my question and good evening. Sandeep first question on the US market there is a strong sequential momentum how sustainable is that because there might be some seasonal benefits if you can guide for the next quarter and quarters ahead on the US market?

**Sandeep Singh:** Thanks Saion I would like Mr. Amit Ghare to take this question because I think it is much closer to reality. Amit over to you!

**Amit Ghare:** Thank you Sandeep. Saion you are absolutely right, most of the performance in the quarter came because of the season because especially of the flu season, we do have a lot of anti-infectives and other products related with that. Q4 guidance certainly will not be similar to Q3 for sure. We are hoping it will be better than Q1 and Q2 or certainly in line with that.

**Saion Mukherjee:** That is helpful and also on the cost front how you are seeing raw material cost, your other expenses were also somewhat the growth was muted so if you can talk about the cost how that is sort of playing out, any changes you have seen in the recent past?

**Rajesh Dubey:** Saion as you see in Q3 our gross level margin 100 basis point improvement is visible. So 58.9% margin we have whereas in sequential quarter it was 100 plus basis point down. As far as cost of material is concerned I think we have not yet come pre-COVID level so the raw material prices they are on higher side, but manageable unlike what we saw in the month of November and December of last year. Second going forward also the DPCO price increase because of higher inventory we were not able to take 100% benefit in Q2, Q3 I think that benefit has also come. So these are the two major reasons and as we guided earlier I think we are going to remain somewhere close to 58%-58.5% at gross margin level. As far as your question on other expenditure is concerned, if you are referring Q3 definitely in Q3 it is on lower side, in fact it is 22% whereas in earlier quarters are on annualized basis it is higher there are two major reasons behind it, one currency fluctuation positive it has come in this quarter because mainly Chilean Peso it got stable that was one big factor and another reason being some of our R&D-related expenditure it has got deferred for further period so not in Q3, so we have little bit on lower side. So there are some marketing expenditure related also little bit on lower side, but they are not very significant, these are the major two items, which is indicating other expenses on lower side. If you have any further question I will be happy answering.

**Saion Mukherjee:** Just one clarification I think the foreign exchange fluctuation had a negative impact if I remember correctly in the first quarter so that has got reversed and like what is the quantum here?

**Rajesh Dubey:** For Q3 it is to the tune of 50 Crores because in Q2 there was negative of 20 and we have positive of 30 so sequential quarter if you see impact is around 50 Crores.



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- Saion Mukherjee:** That is under other expense?
- Rajesh Dubey:** Yes.
- Saion Mukherjee:** Just one last point with the China opening you mentioned raw material prices are high and it will remain there so you do not expect any moderation in raw material costs or you do not have any signs of that happening?
- Rajesh Dubey:** I think particularly anti-infective Cephalosporin and I think now prices again started going up. PenG we can clearly see prices have started going up so we do not know, but going forward we think it will get normalized and the situation will be in control, but currently, yes, definitely anti-infective especially we can witness rise in price of raw material.
- Saion Mukherjee:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Kunal Dhamesha from Macquarie Group. Please go ahead.
- Kunal Dhamesha:** Thanks for taking my question. Just a couple of clarifications. First I think we are facing some kind of supply issue with one of the products in the US in Q2 where probably we also have exclusivity has that been resolved in this quarter and that product contributed meaningfully in this quarter?
- Amit Ghare:** No that supply challenges remain and that product has not contributed meaningfully in this quarter perhaps not at all.
- Kunal Dhamesha:** Going forward how is the competitive landscape there are we able to resolve those challenges and we still see opportunity for that product or once the exclusivity period is over the competition will take over?
- Amit Ghare:** The exclusivity in any case was the shared exclusivity more than two players who are there in the market had or could have got approval so obviously they have not got approval because of their own reasons. It is very difficult to say when competition will come in, as we speak today the opportunity still remains, but we need to get a good hold on our supply chain like we discussed in the earlier quarter.
- Kunal Dhamesha:** What is this issue basically is it related to API, is it an in-house API products or partnered API product where is the issue that we are facing?
- Amit Ghare:** I do not think I am at liberty to discuss that at a product specific level in detail.



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- Kunal Dhamesha:** Sure and the second question is on India business can you provide some kind of color in terms of what was the growth in that region like business in the quarter or maybe the contribution of trade generic business in this quarter?
- Yogesh Kaushal:** Can you repeat the last line I could not hear.
- Kunal Dhamesha:** The contribution of trade generic business in our India business in this quarter or maybe for nine months.
- Yogesh Kaushal:** It is 20% to the total business for the quarter.
- Kunal Dhamesha:** For the nine months?
- Yogesh Kaushal:** Almost similar.
- Kunal Dhamesha:** Lastly on the cost efficiency side if I have to attribute it to a particular geography which geography would you be targeting more from the cost efficiency perspective or is it a general kind of improvement across?
- Sandeep Singh:** I think it is general, but it is more US led to some extent, but it is overall it is a companywide kind of initiative, which we are taking up.
- Kunal Dhamesha:** Have we taken some steps which might start flowing from maybe next quarter or maybe within couple of quarters, if yes what could be the quantum?
- Sandeep Singh:** I think obviously we have taken steps which will start benefiting us, but the quantum might not be substantial next quarter or something I think these are medium-term projects so I think next year you could see a benefit and this is similar to what we have guided in the last call so I think all this is part of that, so there is nothing which can be added on top of what we have said. So it is an ongoing thing, we will see an improvement in EBITDA margins next year, but nothing substantial in the next quarter or something.
- Kunal Dhamesha:** Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.
- Rashmi Shetty:** Thanks for the opportunity. As you mentioned in the call that some of the expenses have been deferred to Q4 and normally Q4 is a soft quarter where we see most of the expenses coming in and our nine months EBITDA margin is roughly around 14.4% so do you think



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that the earlier guidance of 15% EBITDA margin achievement in FY2023 is now looking a bit challenging, if you can update on that?

**Rajesh Dubey:** We remain with our guidance on EBITDA margin so we have reasons to believe why we are going to land somewhere 15% to 15.5% and reason being we have a sizable spillover revenue recognition, which is going to happen in Q4 that is one thing, and then second our business is moving as per our estimate only. We do not think this year Q4 is going to be so soft as it used to, we believe Q4 is going to be reasonably good. On overall basis we are confident we will be somewhere where we have guided.

**Rashmi Shetty:** On India business how do we see our India growth, are we expecting that Q4 growth to be higher and we can actually complete FY2023 growth at around high single digit growth?

**Rajesh Dubey:** Yes, certainly we can, there is no reason why we should not be able to do that.

**Rashmi Shetty:** On India business have you launched Valsartan for Sacubitril product, have you added any new MR for that or segregated some of your MRs from the current strength for this particular project and how are you seeing the competitive intensity in this particular product?

**Yogesh Kaushal:** Sacubitril Valsartan we knew it is going to be intense so we have created a separate team where we have done a product rationalization. We have launched a second cardio-diabetic team so we have separated 2 brands so that we make space for Sacubitril Valsartan and we have been preparing this almost a year before so we understand the market dynamics and we are prepared, we should do good here.

**Rashmi Shetty:** Finally on the US if you can update on number of launches that you did in nine months and also on the price erosion in the oral solid space, how is it for the company?

**Sandeep Singh:** Mr. Amit Ghare you can take that please.

**Amit Ghare:** Sure thank you Sandeep. Number of launches so far I think have been eight over the nine months if I remember correctly and the price erosion still continues from overall deflation perspective it is still in double digits for us, it did reduce in Q3, but for nine months it continues to be in lower double digits for us.

**Rashmi Shetty:** Thank you and all the best.

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





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- Prakash Agarwal:** Hi! Good evening. Thanks for the opportunity. My question is one is on the cost saving initiative that we have taken so you mentioned it is on track, what I am trying to understand is, is it like the 250 Crores kind of cost saving is it for the year fiscal 2024 or we see that over which what period of time do we see that?
- Sandeep Singh:** Yes fiscal 2024 next year.
- Prakash Agarwal:** So, which is about 2% of the overall company EBITDA margins so in the pace of about 15% odd this year so how should we think margins for next year broad color will help, what are the levers in terms of base business apart from the cost saving initiative?
- Sandeep Singh:** I will not try to segregate between usual and apart of like special cost savings because we always do these things when we spoke about it last time, we also had in back of our mind and keep in mind that we might gun for 250 but all might not happen so I would try to curb enthusiasm over there to really say that we can get all that 250 it does not happen like that in life. Same thing we spoke last time whatever we learned this year we could go 200 basis point above that next year.
- Prakash Agarwal:** How do we make sure that there is no revenue impact of the cost saving initiative that we are taking, have we thought about that?
- Sandeep Singh:** Of course that is my job, I am paid for that so obviously I do not cut cost and let go off revenue that we are very, very conscious of that. Our sales and marketing strong company we do not do things for short-term and create long term pain.
- Prakash Agarwal:** Why I am asking this is like the PenG and PenG prices from the raw material side and couple of products in the US really shook the margin trajectory, Alkem 70% India very steady margin, very steady growth rates in the past, last nine months, six months have been little volatile compared to the history?
- Sandeep Singh:** No, so your question was that whether we will cut cost such as that revenue get impacted answer is clear no. Now if you are coming to on RM and PenG and stuff that is a different ballgame. Also keep in mind that within one year's time PenG will be produced in India now I am not here to like talk about other companies, but we know those large companies doing it. So we do not know, but I think it will stabilize and even if it does not we have to live with it and there could be other avenues to work on it, but I am still positive it cannot go completely berserk end of the day it is an antibiotic the cost has to be curtailed somewhere even at a government level and things like that. I am sure it will not go.



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- Prakash Agarwal:** Secondly Sir congrats on the Enzene deal so can you speak about what is the clear plan here, how many products are under development and have we taken any product to rest of the world markets what is the clear plan here and what is the revenue recognition here how is it captured in the balance sheet?
- Sandeep Singh:** I think the financial question Mr. Dubey you could take that on the revenue recognition and balance sheet and then all the products and market I will take up.
- Rajesh Dubey:** Yes. So revenue recognition is as per accounting norms, if you have any specific question whatever revenue accrued is due that is recognized in our financials. So if you have something specific I will be happy answering you.
- Prakash Agarwal:** Sale is accounted for there is no other income impact right?
- Rajesh Dubey:** Sorry. Other income impact on what?
- Prakash Agarwal:** On the partial sale of the equity.
- Rajesh Dubey:** Still I am not very clear what you are asking.
- Prakash Agarwal:** I will take it offline Sir and lastly if I may add just one more so January was a little softer month for everybody given high Omicron days so is it just base related or the market itself was softer in terms of volume what is our take on that and secondly on the NLEM list which had come with revised prices in December what is the impact that we can see for our portfolio?
- Yogesh Kaushal:** Yes this January month was actually not a softer month is last year's January we have Omicron so some of the therapies particularly anti-infectives, multivitamins and pain these three had inflated days last year and therefore you might see some diluted growth in the month of January, but overall if you look at broad therapies they have shown a good growth, internally also in line with this we have done well, actually January month overall for Alkem was a good month across therapies.
- Prakash Agarwal:** The NLEM?
- Rajesh Dubey:** NLEM we have minor impact, we have an impact of close to around 40 Crores in quarter and we are set to compensate this through our unit growth so we should manage this.
- Sandeep Singh:** You had asked on Enzene so I think we did not finish it and financials as you said you will take it offline with Mr. Dubey. So we do not give numbers that I will tell you for Enzene



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they are a small base I think we are doubling every year and next year also we will do the same. We got three products going for global development one is in clinical trial stage and the other two are one is in preclinical other is about to enter clinical. So you are not doing a lot of it because the costs are very, very high on this, what we try to do is we try to out license the product to at least one key geography so that licensing fee kind of funds some amount of clinical trials that is how we plan to kind of keep it like not say very high the clinical trial cost in terms of impact on P&L and in India we have got approval of five biosimilars, four have been launched, so I think it is going great and in Enzene as a strategy of working with everyone, so it is B2B business which is large or larger than what it supplies to Alkem or close to that. So Enzene independent company we wanted to do business with everyone and it is growing well I think in the next two, three quarters we will be able to share a lot more color to it.

**Rajesh Dubey:**

Lovely thank you and all the best for your insight.

**Moderator:**

Thank you. The next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai:**

Hi! Good evening. Thank you for the opportunity. My first question is in India. So trade generic is around 20% as you highlighted earlier so between these two what is the growth differential, are we seeing more growth in the branded portfolio or it is similar for both and how should we see growth profile for these two segments going ahead?

**Yogesh Kaushal:**

No our branded portfolio has grown faster than generic, generic is roughly around 5% to 6% while formulation is healthy double digit so our formulation is going much faster than double of generic brand.

**Damayanti Kerai:**

That question from the slide which you shared earlier so you have outperformed market in most of the therapies, which Sandeep also highlighted earlier, but one statement I believe cardiac is one where you have grown below market so what exactly is happening in that particular segment, anything to point out?

**Yogesh Kaushal:**

I think cardiac to be very honest we have to address this strategically and this is a good question you asked. We were focusing more on very niche product, particularly products for atrial fibrillation and anticoagulants, like Dabigatrans and all. So though we did very well there, but from the volume point of you it is not bigger market. So what strategic change we have done is that we will focus more on mass molecules like Telmisartan, Olmesartan and all those, which are big volumes and of course your lipid regulators your Rosuvastatin. So these three constitute close to around 65% to 70% of cardiology market. So we will slightly



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restructure our strategy and see that from quarter onwards you should see a better trajectory in cardiology as well.

**Damayanti Kerai:** So shift in strategy here to move towards the higher volume?

**Yogesh Kaushal:** Yes, because although niche we create a good impression, but does not give us volume. So there we will do a strategic change and this will show us results soon.

**Damayanti Kerai:** My second question is on your margin guidance for FY2023 so you mentioned you should be maintaining somewhere 15%, 15.5% outlook for the year and you mentioned about some spillover sales, which I missed can you clarify like you said some spillover sales will be there in the fourth quarter?

**Rajesh Dubey:** I think you are talking for margin of 2023. So as we discussed and we reconfirmed our EBITDA margin is going to be in the range of 15%, 15.5%, as far as spillover of sales is concerned as per accounting norm whatever revenue recognition we cannot recognize because of non-completion of entire revenue recognition cycle and in that it is a very specific delivery of goods whatever you have sold so that needs to be recognized when you deliver it, when risk reward is getting passed on. So in Q3 as of December 31, 2022 we have material sales, which needs to be recognized revenue in Q4 in the month of January itself and since March most of the company they complete their sales order cycle, dispatches and everything well before year end closer so spillover is hardly anything for the month of March and that is the reason I mentioned is one sizeable material amount we have to be recognized as revenue in fourth quarter.

**Damayanti Kerai:** My final question is on how do you see R&D cost moving ahead now like Enzene obviously have sufficient funding so how should we look at this fast moving ahead and where you will be spending most of your R&D budget?

**Sandeep Singh:** Yes. So most of the budget would still be for small molecules because that is traditionally a large business. We will manage as we said last time everything within 5.5% including biosimilars, R&D clinical trials everything.

**Damayanti Kerai:** Sorry Sandeep it is within 7% I missed that?

**Sandeep Singh:** No, 5.5%.

**Damayanti Kerai:** Despite progressing in some of the clinical programs you should be sustaining that?

**Sandeep Singh:** Yes, do not say 7% everybody will fall off the chair over here.



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- Damayanti Kerai:** Sorry, that is my mistake. Thank you.
- Sandeep Singh:** Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.
- Neha Manpuria:** Thanks for taking my question. On the US business we have seen a lot of our peers indicate base business improvement because of supply disruption, players exiting, etc., is Alkem also seeing similar trends in our existing product that could play out in the near-term?
- Amit Ghare:** Most of the improvement in business in Q3 actually came from all the legacy products, but those were because of the seasonal effect. Coming to your question in general overall not just seasonal products but overall we definitely are seeing a lot of customer enquiries and calls coming through in terms of because of discontinuations or regulatory challenges to competition; however, how much of it will actually get realized to us as an ongoing business remains to be seen because essential roadblock is pricing. So I will leave it at that as our performance comes through for Q4 we will be able to witness it or not witness it.
- Neha Manpuria:** Just to clarify obviously Alkem taking up the additional revenue would depend on a better pricing versus the existing for some of these products that would be a fair assumption?
- Amit Ghare:** Yes, what I mean is obviously the customers need product and if the existing supplier discontinues or has a different challenge the customer will look for an alternate supplier. The question is, is that alternate supplier Alkem or someone else takes that position is what kind of remains to be seen.
- Neha Manpuria:** My second question is on the cost optimization Sandeep I know you mentioned cost optimization and the amount, but given that we are making progress on it could you highlight two or three areas in terms of where these cost optimization is being implemented and what is the progress that we have made just so that is for us to understand when we can start seeing a contribution into margin?
- Sandeep Singh:** These are as I said company initiatives 20%-30% of it kind of we have identified, rest we are identifying. Some part of it is getting implemented so these are from manufacturing to R&D and these are manpower in both of them, it could be even kind of some project reduction in some pipeline being more stringent about what kind of products we do so it is encompassing and we are looking at the whole stuff and so largely R&D and manufacturing I would say and then some amount of acquisition we could even look at going forward in other areas as well. Our manufacturing cost, restructuring those are also on the play and we will disclose in the next couple of quarters.



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- Neha Manpuria:** When you say rationalization could this be portfolio rationalization let us say in markets like US?
- Sandeep Singh:** More than portfolio it could be some kind of plant optimization those kind of stuff, letting go off these products may not be like right for us, but yes we could find better ways to do it for sure.
- Neha Manpuria:** Understood. Thank you so much.
- Moderator:** Thank you. We will move to the next question from the line of Bino Pathiparampil from InCred Capital. Please go ahead.
- Bino Pathiparampil:** Good afternoon to all. Just a couple of followup questions. One on Dabigatran in the US so you have these supply issues, which you are working on do you have any visibility of sorting that out in a quarter or two or so or is it a still fluid situation?
- Amit Ghare:** Now we are working on two strategies to restore our supply chain and we think it is still going to take about six months to do that, but then there could be a few regulatory pathways which could make it sooner unlikely but could delay it as well.
- Bino Pathiparampil:** Sir is this a difficult product or is one of its components very difficult to source thing that not practically nobody is getting approval, nobody is being able to launch or ramp up, etc., is it a technology challenge or a sourcing challenge?
- Amit Ghare:** So for us it is a supply chain challenge, for others we would not like to comment.
- Bino Pathiparampil:** The second question is about the forex gain of 50 Crores so it is there in other expense I would just like to understand the accounting there, 50 Crores is it related to some hedges that you make?
- Rajesh Dubey:** No it is not hedges, it is a currency conversion and mainly it is out of Chilean Peso to Dollar and then Dollar conversion to INR so it is it is not related to hedges.
- Bino Pathiparampil:** So if I understand you would have booked the sales related to this maybe in last quarter or a couple of quarters back and when you finally realize the receivables you get a higher amount is that correct?
- Rajesh Dubey:** It is a conversion when we prepare our financial statement local currency needs to be converted to reportable currency. So the currency difference needs to be accounted as income or losses in financial statement. So yes you rightly mentioned in earlier quarters



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there were loss whereas now CLP is firmed up against US dollar and that has given us benefit. If you recollect in our earlier quarters also when we recognize notional loss in our financial statement deliberately we kept remittance on hold because we wanted currency to take some reverse and after getting this reverse we started actual realization. So you can say in earlier quarters to certain extent it was notional, current in Q3 also unwind has happened, and now Q4 actual utilization is happening where we found this becoming normal. Wasable to clarify your queries.

**Bino Pathiparampil:** In some sort of, but just one followup so is it that you have a subsidiary in Chile which you are consolidating and that is why this is coming?

**Rajesh Dubey:** Absolutely.

**Bino Pathiparampil:** So it is basically balance sheet consolidation coming from?

**Rajesh Dubey:** Yes.

**Bino Pathiparampil:** My impression was that, that gets clubbed with other income.

**Rajesh Dubey:** No, again it will go in other income, if you have losses it will come under other expenses.

**Bino Pathiparampil:** So this quarter we had a gain so it should have gone in other income, right?

**Rajesh Dubey:** Here we are talking quarter-to-quarter actual currency fluctuation. So when you see YTD ultimately reporting is going to happen at YTD level. Quarterly of course there is again, but YTD there is still some small amount of negative is there, that is why it has gone in other expenses.

**Bino Pathiparampil:** Understood. Thank you very much.

**Moderator:** Thank you. Next question is from the line of Sumit Gupta from Motilal Oswal. Please go ahead.

**Sumit Gupta:** Good evening, thank you for the opportunity. I just want to know regarding the overall investment till date which has been done in Enzene by Alkem and other investors?

**Rajesh Dubey:** Other than investor our investment is 915 Crores if I am not wrong and other investors investment is 161 Crores so you can say somewhere 1170 Crores.

**Sumit Gupta:** What are the biosimilar sales in India for the nine months or 12 month basis?



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- Rajesh Dubey:** You mean to say Enzene sales or total biosimilars?
- Sumit Gupta:** Overall Enzene and biosimilar both.
- Rajesh Dubey:** It is in the range of around 90 to 95 Crores on YTD level. So here we are considering whatever Alkem has sold and whatever Enzene has sold to third-party not inter companies.
- Sumit Gupta:** Include CDMO?
- Rajesh Dubey:** Yes, and CDMO income is also included in this.
- Sumit Gupta:** So it is Enzene plus CDMO?
- Sandeep Singh:** Yes, that is Enzene CDMO so Enzene's non-biosimilar work as well.
- Sumit Gupta:** Last question is regarding the currency benefit which was there in the third quarter do you expect it to continue in the fourth quarter as well?
- Rajesh Dubey:** Currency benefit nobody can predict, but we hope similar kind of trend is going to continue in next quarter also, but nobody can say with confidence.
- Sumit Gupta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Yash Tanna from iThought PMS. Please go ahead.
- Yash Tanna:** Good evening. Thank you for the opportunity and congratulations on a good set of numbers on this quarter. My question was diabetes over the last two years they have jumped significant ranks from I think 21 now they are 15-16 and we are also going significantly ahead of market so what is our ambition here to sort of get into the top ten and what will get us there, are we looking at any sort of brand acquisitions or will it mostly be organic?
- Yogesh Kaushal:** Yes, so diabetes we are doing strong there and what has led us over here and will take us to future is our success of new products particularly Dapagliflozin and the like and then Sitagliptin and Vildagliptin all three we have done good there we were exceptionally good there. So we now intend to build this molecule to big brands of 100 Crore plus types so these three brands we are investing heavy and we should do good. Along with that we have a legacy brand like Glucoryl, which will keep on supporting so overall we expect from rank 15th our aspiration is to be amongst the top 10.
- Yash Tanna:** Any time period you would like to share for the same?





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- Yogesh Kaushal:** I know it is still be challenging but around three to four years we should be amongst the top 10.
- Yash Tanna:** One question on the MR productivity I wanted to understand at what number does the operating leverage start playing out in the MR productivity especially for the chronic division last quarter we mentioned about 3.8, 3.9 lakhs MR productivity we have so after what number would we start seeing operating leverage and margin improvement for the division?
- Yogesh Kaushal:** See number of reps is very subjective, but headquarter gives us a breakeven at around close to Rs.2 lakh so if headquarter does a close to 2 lakh productivity we get a breakeven so in line with that divisional breakeven starts.
- Yash Tanna:** So we are already much higher than that so anything more would just start contributing to the margin?
- Yogesh Kaushal:** Yes, correct any additional productivity now will contribute to the net margin.
- Yash Tanna:** Alright that is helpful. One question on Enzene I think we have spoken a lot, but we have raised money now from independents from different investors and is it right to understand that going forward Enzene will be independently funding the growth and what is our long-term outlook, do we see it as a separate independent entity in the next three to four years?
- Sandeep Singh:** I think it is already a separate independent entity so, your question I am not very clear, do you mean that we did not need to raise funds I am not sure, what you are asking.
- Yash Tanna:** Not much of Alkem support in terms of development.
- Sandeep Singh:** No, I think we will evaluate it, if we kind of attractive we will continue to invest in Enzene I think it will continue to be a very attractive growth engine for Alkem. So it is possible we will keep investing and it is also possible that we will keep taking outside money as well. So, yes.
- Yash Tanna:** That is helpful. Thank you SandeepJi and best of luck.
- Moderator:** Thank you. We have the last question from the line of Kunal Dhamesha from Macquarie. Please go ahead.
- Kunal Dhamesha:** Thank you for the followup. Sir couple of questions first on the trade generic you alluded that we have seen 5%-6% growth I believe it is kind of multi quarter a low kind of growth



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with a function of more competition or high base from the last year same quarter or basically the market being slow?

**Sandeep Singh:** I think it is a combination of the first and the last one you said that the base is very high this year because of the last year we all know the base acute sales and trade generics and all that was substantially high so it is coming off a high base and the market is also slow the same kind of reason so it is an one off there is nothing so we cannot anticipate so just like now US high sales we do not think will continue similarly US generic low sales will not continue they both are aberrations.

**Kunal Dhamesha:** You meant the India trade general trade?

**Sandeep Singh:** Yes.

**Kunal Dhamesha:** Secondly I think one of the new business opportunity in US which we are still not sure whether that will accrue some of that to us those products will come to us but let us say hypothetically that does come to us does that kind of delay the cost efficiencies?

**Sandeep Singh:** No it will not delay any cost nothing to do with the launches and things like that.

**Kunal Dhamesha:** Because the focus is on manufacturing rationalization, etc., but if you get more products, which means more...

**Sandeep Singh:** I told you no and Sir I understand it is not matter.

**Kunal Dhamesha:** Okay perfect. Thank you.

**Moderator:** Thank you. I now hand the conference over to the management for closing comments.

**Amit Khandelia:** Thank you everyone for attending this call. If any of your queries are unanswered please feel free to get in touch with me. Thank you and have a great weekend.

**Moderator:** Thank you very much. On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.