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- CIN: L00305MH1973PLC174201

03<sup>rd</sup> June, 2024

To,

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

**Sub: Q4 FY2024 - Earnings Conference Call Transcript**

We enclose herewith the transcript of the “Q4 FY2024 Earnings Conference Call” which was hosted by the Company on Wednesday, 29<sup>th</sup> May, 2024.

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 Limited Q4 FY24 Earnings Conference  
Call”

**May 29, 2024**



**MANAGEMENT:**    **DR. VIKAS GUPTA – CHIEF EXECUTIVE OFFICER, ALKEM  
LABORATORIES LIMITED**  
**MR. NITIN AGARWAL – CHIEF FINANCIAL OFFICER, ALKEM  
LABORATORIES LIMITED**  
**MS. PURVI SHAH – HEAD OF INVESTOR RELATIONS, ALKEM  
LABORATORIES LIMITED**

**MODERATOR:**    **MR. TUSHAR MANUDHANE – MOTILAL OSWAL FINANCIAL  
SERVICES**



*Alkem Laboratories Limited  
May 29, 2024*

**Moderator:** Ladies and Gentlemen, Good Day and welcome to Q4 FY'24 Earnings Conference Call of Alkem Laboratories Limited 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 over the conference over to Mr. Tushar Manudhane from Motilal Oswal Financial Services. Thank you and over to you.

**Tushar Manudhane:** Good evening and a warm welcome for 4Q FY'24 Earnings Call for Alkem Laboratories.

From the management side, we have Dr. Vikas Gupta, CEO and Mr. Nitin Agarwal, CFO. Over to you, sir, for the opening remarks.

**Purvi Shah:** Thanks, Tushar. Good evening, everyone. Thank you for joining us today, for Alkem Laboratories Q4 & FY'24 Earnings Call.

So, to discuss the business performance and outlook going forward, we have with us on the call, the senior management represented by Dr. Vikas Gupta, CEO and Mr. Nitin Agarwal, CFO.

Earlier during the day, we have released our Financial Results, Press Release and Investor Presentation on stock exchanges and the same have been posted on our website as well. I hope you all had the chance to have a look at it.

So, before we proceed with the call, we would like to remind everyone that this call is being recorded and that the call transcript will be made available on our website as well.

We'd also like to add that today's discussion may include certain forward-looking statements and the same must be viewed in conjunction with the risk 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 us.

So, with this, I would now like to hand over the call to Dr. Vikas Gupta to present the key highlights for the Full Year and the Quarter and the Strategy going forward.

Thank you and over to you, sir.

**Dr. Vikas Gupta:** Thank you, Purvi. Good evening, everyone and I welcome you all to this earnings call for FY'24 and Q4.



*Alkem Laboratories Limited  
May 29, 2024*

I will start by presenting an overview of the operational and financial achievements for FY'24 as well as for the 4th Quarter. And post this, we shall be happy to answer any questions that you may have for us.

Our focus has been to improve the EBITDA margin during the year on the back of benefits through implementing various cost control initiatives as well as the favorable API prices that we had during the year.

Continuing our trend of improved operational performance, Q4 builds on the momentum gained from previous quarters with significant gross margin enhancements backed by lower raw material costs as well as the lower intensity of price erosion in US.

We are happy to highlight that Alkem has registered a net profit before tax of more than Rs.2,000 crores for the first time. And also one of the first is that our international business has crossed the revenue of 4,000 crores in FY'24.

Coming to the highlights of FY'24, during the year, we have generated approximately 1,400 crores in cash, which reinforces our balance sheet to establish a substantial net cash position of around Rs.3,550 crores.

We outperformed the IPM in antidiabetic therapy which everybody has been looking forward to us to grow the chronic business and that is really on track. Not only antidiabetic, in other therapies like Derma, GI and even the VMN therapies, we have really grown outperformed the IPM. And our ranking has improved in therapies like antidiabetic, cardiac as well as the respiratory.

The company maintained its leading position in the anti-infective segment. However, we all know that anti-infective market saw very sluggish growth in the financial year '24 and that did impact us as well.

The company continues to rank among the top five companies in the Indian pharmaceutical market.

Our international business has delivered a very strong growth, with U.S. business reporting double-digit growth of more than 10% for the year.

In the non-U.S. business, across geographies, we continue to achieve a very healthy growth.

Coming to the Q4 FY'24. In Q4, it has been a good quarter in terms of profitability improvement for the company. Our EBITDA margin improved by 150 basis points as compared to YoY Q4 of '23. So, from 12.2%, we moved up to 13.7%.



*Alkem Laboratories Limited  
May 29, 2024*

The net profit after tax for the quarter stood at 294 crores and PAT for Q4FY23, was impacted on account Of derecognition of the deferred tax of Rs.120 crores. Adjusted for the above item, PAT growth for Q4 FY'24 would be roughly 54%.

During the quarter, we have received two ANDA approvals.

Our biosimilar business is performing impressively and witnessing significant traction in the domestic biosimilar market with a portfolio of seven products now. We aim to sustain and carry forward this performance momentum in the current financial year.

Thank you for your patient listening and the house is open for any questions that you may have for us.

**Moderator:** We will now begin the question-and-answer session. We will take our first question from the line of Kunal Dhamesha from Macquarie. Please go ahead.

**Kunal Dhamesha:** Sir, would you like to provide any broad outlook for FY'25 in terms of revenue growth and profitability?

**Dr. Vikas Gupta:** I have always maintained that our revenue growth will be in line with the market growth. We will be at par with around 10% is what our revenue growth looks like for the coming financial year, and largely driven from even the domestic market. In international business, our U.S. business is growing fine. The price erosion that we used to see over there, that has now stabilized at a low single digit and that is what gives us hope that even our U.S. business will grow pretty fine. So, that's on the revenue. In terms of gross margins, we maintain we will be within the range of both the gross margin as well as EBITDA as to what we are currently. So, I think that is what we will as a guidance I would like to give you.

**Kunal Dhamesha:** Just a follow up on the cost efficiency measures that we have taken, right. But when I see, let's say the improvement on a year-on-year basis from around 14% EBITDA margin to 17.7% in FY'24, majority of that is driven by the gross margin improvement and I think another 60 basis coming from the lower R&D expense. So, the cost efficiency measures, will it kind of be positively impacting us going forward or is it already baked into the improved gross margins?

**Dr. Vikas Gupta:** So, it's an ongoing process. Some part of it we have already baked in, in our gross margins, but as we continuously keep our focus on improving cost, I am sure this will add further, but on the overall API prices, currently, the prices are pretty stable. So, sometimes if we are more cost efficient on one side, there may be a scenario that we see an increase on some of the cost side of certain raw materials which we can't predict. But anyhow, we are not seeing any such trend currently. So, I am assuming that at a business unit level our EBITDA might even improve as we move along, but there are certain investments that we are going to make for the future growth and that is why I am saying that our overall EBITDA at the corporate level because of those investments might still I would maintain it where we are currently.



- Kunal Dhamesha:** Is it more R&D expense that we are expecting?
- Dr. Vikas Gupta:** See, there are certain initiatives that we are taking which are future growth potential initiatives say for example we are putting up this plant in the US for Enzene CDMO business. So, that will take up some part of our investments, that will become operational by the end of this financial year most likely and that's a business that we are very bullish about in times to come. So, I think some of those kinds of opportunities we have our investments to make which is a mix of R&D as well as some of the CAPEX that we may have to do for future growth opportunities.
- Kunal Dhamesha:** What would be the CAPEX for FY'25?
- Dr. Vikas Gupta:** It will be to the tune of 600 to 700 crores.
- Moderator:** We will take our next question from the line of Neha Manpuria from Bank of America. Please go ahead.
- Neha Manpuria:** Sir, on the guidance that you just mentioned, when you say GM at current level, I am assuming you're talking about the full year number?
- Dr. Vikas Gupta:** Yes, talking about mostly about the full year number.
- Neha Manpuria:** While I understand the investment in future growth, the US plan that you talked about, but that will only start hitting our P&L post commissioning, right? So, is there any other investment specifically that you're doing in R&D or MR expansion because of which we are keeping our EBITDA margin guidance as similar to what we have done in FY'24?
- Dr. Vikas Gupta:** So, not on MR expansion side any major investment, but on R&D, if you see this year, we have been at around 4.1%, but then we would like to keep it at 4.5% to 5%, that's something that has been our trend on the R&D side and that includes some of the clinical trials that we do for some of our biosimilar portfolio as well. So, I am foreseeing the R&D spend somewhere within the range of 4.5% to 5% and I think put together a sum total of that, that's why I am keeping the guidance at .
- Neha Manpuria:** If I were to specifically look at the India performance, while I understand that seasonality did really benefit, was not really a tailwind this year. 4th Quarter usually does not have any seasonality benefits. So, it was surprising to see a decline year-on-year in the India business. Anything specific that you want to call out as to what's happening in India anti-infective other than the seasonality, is there anything specifically that is impacting any other segments or any other therapies in India for Alkem?
- Dr. Vikas Gupta:** Neha, my belief is that it's a one-off. If you will see even the IPM and the anti-infective market for Q4 has degrown at around 2.2% which is a very unusual trend. And I guess the reason for that is the high base in Q4 of FY'23, which saw very good outbreak of flu, I think it's a seasonality and a base correction that has happened in the market and equally we are impacted and this is



*Alkem Laboratories Limited  
May 29, 2024*

not new in the acute market, we see some of these peaks and troughs depending on certain events in the external environment. So, I think fundamentally we are going very strong as far as our domestic market is concerned. We are very bullish. This is one of our key core markets and if you will look at the other therapies that I mentioned, we have significantly outperformed in these markets as far as India business is concerned and even in the coming year, we are very bullish on our growth in India. So, I don't foresee any major challenge. See, there was also an improved I would say focus on the overall profitability from the organizations standpoint and that's why Q4 is looking a little sluggish, but otherwise we are very bullish as far as our India story is concerned.

**Neha Manpuria:** And last time we had mentioned some concerns on the pain segment competitive pressures there. Has that improved, have we been able to sort of allay those concerns related to competition?

**Dr. Vikas Gupta:** So, we are continuously at it. If you will see on the pain portfolio, we are registering internally quite significant growths and strategically whatever initiatives we had to take to counter those, we have already put in those strategic initiatives. Over a period of time, we will see the market also registering better performance in times to come.

**Moderator:** We will check our connection. Meanwhile, we will take the question from the line of Saion Mukherjee. Please go ahead.

**Saion Mukherjee:** Firstly, on your comment on the domestic market, I am wondering the growth of the seasonality is one factor. So, when you think about growth next year at around 10%, given that you have large NLEM portfolio where there is no price increase, are you banking on normalization of seasonal demand to get to this growth?

**Dr. Vikas Gupta:** To some extent that and I would say a strong volume growth, because we have large feet on street, we have initiatives that we run quarter-on-quarter. So, this year we have had pressure on volumes, right, in a year where we do not have price as a lever for growth which is around 30% of our portfolio is NLEM portfolio, but I think balance 70% portfolio we have levers of price as well as volume. On this 30% portfolio, it will be largely driven by volumes. So, that is why I am overall quite bullish on our India story. Of course, as the year progresses, we will get to see even the market should show a better movement. But of course, if there is a sharp decline in the market, we may also get impacted but which is very unlikely scenario at this point in time and I am banking on a strong volume growth that we will be driving as far as our business is concerned.

**Saion Mukherjee:** And sir, how has been the performance of trade generics for you in this fiscal year? And an associated question is when you talk about volume growth, you see many companies launching their trade generics division and getting aggressive there and you have additional competition from generics private label, etc., So, aren't you worried about these headwinds, which can impact volume growth over the medium-term?

**Dr. Vikas Gupta:** Saion, I have a different take on this. I think we have a unique proposition as a company where we are the largest trade generic player in the country and our trade generic business continues to grow along with our ex-business. So, we have the know-how of managing these two businesses, the way they need to be managed. Any headwind on the trade generic because of new entrants, of course the market is competitive, but I think that's a nature of our market and we have dealt with it in the past as well. We are not seeing any I would say issues in terms of growth in our trade generic business so to say. In fact, we are even improving on our margins as far as the trade generic business is concerned with every passing year. So, with the kind of scale that we have in this business, in fact, we are very bullish about both the trade generic as well as the branded generic business and the trade generic business we are even going ahead with a lot of products that we are going to launch new on the trade generic side which should further propel the growth of our trade generic business with improved margins in the medium-term.

**Saion Mukherjee:** You talked about margin and cost measures earlier. I understand that international and U.S. business, the margins can go up with volume. What about the domestic business, whatever margin levels you have, how do you see India business margins in general over the medium-term?

**Dr. Vikas Gupta:** So, India business margins, with the increase in volume and with the reduction in the API prices of certain key products, we see a positive trend on the India side as well. So, during the previous years, especially during COVID times, we had seen a very significant upsurge in the pricing of some of the commodity APIs which has stabilized now. I think unless there is a Black Swan event which drives these kind of prices further up, I think these raw material prices, I expect them to be stable, I expect them to be at this level. Of course, there are certain elements which will play out in the market over a period of time and that will decide on some of our key products like PenG, where everybody is expecting the price to come down. So, far we haven't seen it getting played. If that plays out the way everybody is anticipating, then I am sure our margin profile would even get better.

**Saion Mukherjee:** So, it's more around raw material and the impact is limited from other expenses like SG&A, etc.,?

**Dr. Vikas Gupta:** Yes, not so much to do. We have a scale business. So, those are pretty much standard SG&A expenses that we have, but I think it's the raw material which will impact if any gross margin improvement further has to happen. I think that is how it will be. And one more point that can impact the margin is the mix. As our chronic business is improving, as the portfolio which is a higher margin portfolio, as its contribution increases over a period of time and that also will contribute positively to our overall improvement in the margin.

**Moderator:** We will take our next question from the line of Rashmi Shetty from Dolat Capital. Please go ahead.





*Alkem Laboratories Limited  
May 29, 2024*

**Rashmi Shetty:** So, just on the gross margin side, just need a clarity that every 4th Quarter we have normally seen higher gross margins compared to your first three quarters. I understand that you have given the explanation that stable price erosion and lower input costs has benefited to that extent. I just want to understand that for your cost control initiatives, any restructuring or anything which you are seeing to improve on the supply side, on the inventory side sourcing materials that are cost effective way, anything that is also leading to this improvement?

**Dr. Vikas Gupta:** Rashmi, I wouldn't attribute this improvement to any one single step. All of this that you mentioned is what we do on a day-to-day basis. So, it's a continuous improvement process, it's not a one-time improvement initiative that we take and leave it at that. So, I guess all of this what you have referred to including the supply chain efficiencies, including the raw material procurement etc., we do it on a day-to-day basis and wherever there are opportunities to improve the margins further, we do that. So, I think it's a mix and sum total of all of these initiatives that has led to this kind of improvement which to my mind should be sustainable. Of course, because of mix issues, it might be a slight variation here, there but I guess on an annualized basis more or less it should pretty much stabilize at it.

**Rashmi Shetty:** In U.S. business the sales has come down significantly on a quarter-on-quarter basis like in the first three quarters we managed to do \$80 million plus, but this quarter we were below that around \$74, \$75 million. So, just want to know this was purely seasonality or there are any other issues with it?

**Dr. Vikas Gupta:** So, I would say it's on two accounts. One is sum of seasonality and second, even some of the supply issues that we had in U.S. business, so which was, I would say one-off, that impacted us for one or two months which is largely led to quarter-on-quarter if you compare it like that. But if you will see even the previous years, the trend more or less because of seasonality has been like that even in U.S. business. The way I will put it, US business, the kind of price erosions that we were seeing in the previous years that has come down. We every day read reports in newspapers that US is going through a drug shortage for many products. For that to happen, the products need to be available over there. And I think it's translating even in our numbers where we are seeing the prices getting more or less bottomed out for many products. So, I think that is a general larger trend and we are very bullish now that because of our volume growth that we are getting in U.S. business, our U.S. business should also continue to grow significantly.

**Rashmi Shetty:** And how many launches we have done this year and how many are we planning for next year?

**Dr. Vikas Gupta:** So, this year has been just two to three launches and similar is our expectation in the coming year. So, in Q2 we will see Debigatran. So, that is what we will look at. In FY'25 overall we are looking at around six to seven launches I would say and one of those will be a relaunch. So, looking at around 7% to 8% growth contributed by the new product launches in the US market, that is something that you have.



*Alkem Laboratories Limited  
May 29, 2024*

- Rashmi Shetty:** On Enzene Biosciences, we had given earlier sales guidance of achieving Rs.2 billion and achieving the breakeven level. Have we achieved that or any outlook if you can give for next year?
- Dr. Vikas Gupta:** So, we are pretty optimistic about that business. Today, I think whatever guidance we have given, we are more or less running in line with that, but I guess it is FY'25 and beyond actually because we are making up some more investments in that business to make sure that we grow this top line. So, at an individual business level, I guess we don't look at profitability like that, but I think we can give you more this thing on... Nitin, would you like to add?
- Nitin Agarwal:** So, the investment we have made in Enzene till last 10 years was mostly for India in the plant and in the R&D which we did for India market and for Europe market. So, that business has achieved breakeven in last year. Now, in the current year we will invest for U.S. market. We are building a plant in US. We will also invest in R&D and for other related stuff like CDMO for the U.S. market. So, there will be some expense which we will incur and the revenue will start generating maybe from Q1 of next year for the U.S. market. In this year, we may incur some expenses related to R&D and training of employees for the U.S. market, then once the plant is ready in the U.S. in the second half of the current year. So, for the U.S. market, definitely we will report a loss in the Enzene, but the India market and the Europe market under the Indian operations will do well where we have already almost breakeven in FY'24 itself.
- Moderator:** We will take our next question from the line of Damayanti Kerai from HSBC Securities and Capital Markets. Please go ahead.
- Damayanti Kerai:** My first question is again on India business. So, Dr. Gupta, you mentioned you're very positive on outlook for volume in FY'25 after a muted slow in last fiscal. So, theoretically, just like if you assume volume still remain muted, then what are your expectation on contribution coming from the price hike and new launches? So, very broadly like on other two drivers, what are your expectations?
- Dr. Vikas Gupta:** See, I will maintain my guidance of an overall growth. Now, of course, there are levers of price, volume and new launches. So, I think largely our growth is mainly volume-led growth which is going to be there. So, we have 3% growth that comes out of price that we take. There are 1% or 2% growth that we attribute to the new launches that we do during the year and balance we should have the volume-led growth. So, I think that has been the general breakup and that is what I expect in the current year to go at.
- Damayanti Kerai:** And my next question is again on India segment. So, improving contribution from chronic segment will be a key driver for your profitability ahead. So, can you update us on like what is the contribution coming from chronic portfolio and then what is the productivity in terms of sales team on chronic and acute team?



*Alkem Laboratories Limited  
May 29, 2024*

- Dr. Vikas Gupta:** So, I think every quarter I get this question and I will once again reiterate. See, like I mentioned in my earlier commentary, in anti-diabetic market, we have grown substantially well. If you're asking the productivity, then for FY'24 we have an overall group level productivity at around 4.5 lakhs, from chronic it's around 3.5 lakhs already that we have got. So, that's on the productivity side. But if you look at the percentage contribution, today we have around 17% to 18% business, that comes out of chronic and I expect it to cross 20% in the near-term-to-mid-term.
- Damayanti Kerai:** You mentioned you are broadly done in terms of hiring medical representative in sector. So, any addition planned for this year or it will be similar?
- Dr. Vikas Gupta:** I mean, India is our core market, home market, right? Not the kind of expansion that we have done in previous years, we do not have any such plan for this year. Of course, if there are minor additions here, there, that we continue to do, but nothing like we have done in the previous years.
- Damayanti Kerai:** Sorry, can you mention like what is the headcount on MR side?
- Dr. Vikas Gupta:** So, today put together we have around 12,000 number that we have overall on our field force.
- Moderator:** We will take our next question from the line of Kunal Dhamesha from Macquarie. Please go ahead.
- Kunal Dhamesha:** So, on this US capacity that we are putting, can you share what is the capacity size and approximate CAPEX that we are doing? This is on biologic side, right?
- Dr. Vikas Gupta:** Yes, yes, this is the CDMO facility for the biosimilar that we are putting. I would refrain from right now giving the capacity size, etc., but on an overall CAPEX side, I think we have given a guidance that the overall CAPEX for the company will be to the tune of 600 to 700 crores and that covers the CAPEX that we will have to put in for this facility as well.
- Kunal Dhamesha:** What would be your maintenance CAPEX?
- Nitin Agarwal:** So, this includes around 80 to 100 crores of maintenance CAPEX, which we incur every year, Kunal.
- Dr. Vikas Gupta:** So, only if you are looking for the facility, it should be to the tune of around 400 crores.
- Nitin Agarwal:** For US facility, that's new facility we will have a CAPEX around 400 crores. For the maintenance CAPEX of existing plant, it will be in the range of 80-100 crores.
- Kunal Dhamesha:** Second question is on the trade generic business. What was the contribution of trade generic business?
- Dr. Vikas Gupta:** So, we are, I think between the range of around 20%.



- Nitin Agarwal:** 20% is the total contribution of trade generic business to our domestic business.
- Kunal Dhamesha:** So, has it come down substantially, because I think last year we were somewhere around 22%, 23%?
- Dr. Vikas Gupta:** No, no, in fact, it has remained stable and it is growing at a similar pace of what general overall our Rx business grows.
- Kunal Dhamesha:** Because I think last time around like we were at 23% and it has been growing slightly faster and hence the contribution is increasing -?
- Dr. Vikas Gupta:** In terms of percentage, maybe in a year where our branded business has not grown, it ranges within that range, so 1% or 2% here or there, it remains, but we are giving you this year numbers that we are within the range of 20% to 21%.
- Nitin Agarwal:** Going forward also, it will remain in 20-22% only.
- Kunal Dhamesha:** In terms of margin, you earlier alluded that the margin in this business is improving. So, maybe qualitatively if you can say what is the gap between the branded versus the trade generic business in India and how that gap has moved over the last three, four years?
- Dr. Vikas Gupta:** Generally, we have not given any segment specific margins. What I can say is we are improving with every passing year and of course everybody knows that these two businesses operate at different margins. But I would say at an overall EBITDA level, we are improving in that business every year. With the increase in scale, we generally get that leverage. I think we are leveraging. That operating leverages started coming in that system.
- Kunal Dhamesha:** Is it fair to say that trade generic business would be higher than our corporate average margin?
- Dr. Vikas Gupta:** It will be within that range, 1% or 2% here or there. So, it's within that range.
- Kunal Dhamesha:** Last question from me on anti-infective side, right, which is our strong hold, but when I see even there we have underperformed the market. So, what could be the reason here, was it like more channel inventory was there and hence this year we had seen lower than market growth or would we have lost market share on that stronghold, how should we think about it?
- Dr. Vikas Gupta:** It's a mix. Some part of it is also on account of the inventory and channel normalization, which generally happens whenever the market sees the sluggish growth and also, it's about the regional dependents. There are certain geographies where we are more dominant than the others and if the market is impacted more in those geographies as compared to the others, then we get impacted a little more. So, that is perhaps one of the reasons as to why our growth is looking sluggish as compared to the overall market. It's more of a weighted average issue on that front.
- Kunal Dhamesha:** Would you say that now channel inventory for us would be normalized?

- Dr. Vikas Gupta:** That is there. So, it's the nature of this business. When you will see the demand going up, the channels automatically keep getting to normalize levels.
- Kunal Dhamesha:** In terms of, let's say this Penicillin G consumption, since we are really big in anti-infective, would you be able to provide like what is our tonnage consumption of any API and do we buy Penicillin G or six API and convert it to the APIs or we just buy directly the API that we kind of sell in India, like Amoxicillin?
- Dr. Vikas Gupta:** We buy directly, that is what we do. I think on the other details we will have to connect offline as to what is the tonnage, etc., you can post your query and we will respond to that. But I can tell you is that we have one of the largest consumers of PenG and if Pen G prices ease out, we will be happier than anyone else. That is something that I can just let you know.
- Moderator:** We have our next question from the line of Rahil Dasani from Mittal Analytics. Please go ahead.
- Rahil Dasani:** Just a few quick questions on Adalimumab. Are we selling it under Enzene's own brand or are we licensing it to someone? And secondly, where are we selling this product exactly?
- Dr. Vikas Gupta:** We're selling it through Enzene.
- Rahil Dasani:** We have our own brand?
- Dr. Vikas Gupta:** Yes, yes, we have our own brand.
- Rahil Dasani:** And where are we selling this product exactly?
- Dr. Vikas Gupta:** Your question is with regards to Adalimumab Enzene, right, we are selling it in India.
- Rahil Dasani:** So, we can see another Indian MNC, Sun Pharma has become a licensee of Adalimumab, which is the same concentration of our product. So, how do we plan on competing in terms of pricing?
- Dr. Vikas Gupta:** Our pricing is pretty stable as far as this market is concerned. This is not a new market, right. This market we have been there for since long that's a day-to-day thing that we do. Those are generics. It's a generic market and we are very competitive in terms of pricing. So, that's not an issue. You have anything specific in mind rather than a product level price issue ?
- Rahil Dasani:** So, I just wanted to understand Adalimumab is a big product. It's supposed to be a big product for Sun Pharma. So, considering that I wanted to understand more on the pricing and are we seeing increased competition from them?
- Dr. Vikas Gupta:** No. So, there is competition, but we have other products also which are much bigger than Adalimumab. But as far as this market is concerned, we are pretty competitive in terms of pricing. So, I don't think it's a price war anymore or it's because of price that we are losing out



to competition. So, we are competitive like we are in most of the segments as far as our price is concerned.

- Rahil Dasani:** And secondly, if I am not wrong, we launched this product in 2022?
- Dr. Vikas Gupta:** I do not have the exact date handy, but yes somewhere around that time. You want exact date, we can share.
- Rahil Dasani:** No, I just wanted to understand what sort of volume growth have we seen from that period of time for this product?
- Dr. Vikas Gupta:** I refrain from giving product level details on we sell large number of SKUs or you'll have to post this specific query separately.
- Moderator:** We will take our next question from the line of Madhav Marda from Fidelity. Please go ahead.
- Madhav Marda:** I just had one question, which was if you could just remind us on the tax rate we said when that kicks in and what could be the sectors tax rate maybe for FY'27?
- Nitin Agarwal:** See, for next two years we see our tax rate in the range of 13% to 15%. For FY'27 the second tax benefit will be over. So, our tax rate will definitely increase and it will be in the range of say 25% from there on.
- Moderator:** We will take our next question from the line of Saion Mukherjee from Nomura. Please go ahead.
- Saion Mukherjee:** On the Enzene or biosimilar program, can you share how many programs you've identified for development and how should we think about clinical development spend on these over the next say three to five years?
- Dr. Vikas Gupta:** So, currently we have around seven products that we have already launched. We are already working on another five, is what I would say and this is for the domestic market. And for the global market, we have close to around four assets that we are working on for the global market.
- Saion Mukherjee:** And any timeline you can share from now like when can we expect the full development and filing in the regulated markets?
- Dr. Vikas Gupta:** It's an ongoing process and product level details, different timelines for different product. Saion, what I would say is you can get back to us and we can respond to it separately, because it needs product level details. All the products are at different stages. So, the timelines would differ for each one of them.
- Nitin Agarwal:** In this year time there will not be any launch in biosimilar. Maybe next year there will be some launches.



*Alkem Laboratories Limited  
May 29, 2024*

- Saion Mukherjee:** And the whole idea about setting up a plant in the US, so I am wondering like why you have decided to put a plant in the US and not in India, what is the specific rationale here?
- Dr. Vikas Gupta:** It's to meet up on the CDMO business that we have in the US market. So, there were companies like Wuxi Biologicals who are really catering to this market and their multi-billion dollar business as far as this business was concerned. Now with US facing pressures because of geopolitical reasons, so some of these companies are not doing the kind of business that they were doing and which threw up an opportunity for players like us to consider, entry into the CDMO business as far as U.S. market is concerned. So, clearly, we see an opportunity over there and there have been players in the market who have been doing that in the past. So, that is why we are putting up that facility over there and we have this unique proposition where part of the process we can do in India and we can really offer a cost arbitrage in terms of grabbing business as far as that market is concerned. So, that's why we have decided to put up that facility over there.
- Saion Mukherjee:** And just one last on the US launches, would you have any comment on generic Suprep launch and then the Baddi site which recently got ten observations, how are you thinking and how critical from new launch perspective is that side?
- Dr. Vikas Gupta:** So, in Baddi, since we had few observations to which we have responded to the US FDA and we are pretty sure that none of these observations were very significant or such that there were no data integrity issues, etc., that we got as an observation. So, as part of our US FDA audits, we all know as a part of pharma ecosystem. So, as part of regular exercise, that audit was done and we have responded to all the queries that were raised by US FDA. We're pretty hopeful that we should be able to address all the issues that were raised over there. Generic Suprep we've just launched. So, it's picking up now. So, at this stage, I do not have any this thing because it's a recent launch that we have just done in U.S. market.
- Nitin Agarwal:** To add, Saion, for our FY'25 new launches in US, none of it was planned from Baddi, all the new launches are planned from the Daman for FY'25.
- Moderator:** We will take our next question from the line of Kunal Dhamesha from Macquarie. Please go ahead.
- Kunal Dhamesha:** Since we are sitting on a decent pile of cash, what is your capital deployment priorities would you be looking for inorganic activity to boost our growth or would it be returning to shareholders?
- Dr. Vikas Gupta:** I said it on the earlier call as well. We are building what just for acquisitions, I would say we are very hungry, we are looking for right opportunity in the market, but of course at the right price. So, we are very open to acquiring any asset which will be synergistic to us of strategic value to us and comes at the right price. So, that's how we plan to deploy cash, but of course dividend

payout, we have always been within the range of a particular range and we are continuing to be within that range as far as our dividend payout is concerned.

**Kunal Dhamesha:** In terms of acquisition, any preference for large size, small size, more like brand acquisition versus the organization acquisition, and when you say right price, what is the valuation metrics that you look at?

**Dr. Vikas Gupta:** No, I would say anything that can add value to our overall business and can be value-accretive. I wouldn't put a size and scale and a valuation to it. That'll depend on asset-to-asset, but we value and we evaluate various opportunities that come our way. And I think we cannot be way off from the market if we have to acquire something. So, I think whatever are the market valuations we have to be in line with that. But of course the way we look at it is, will it be value-accretive for us, will it add value to our overall business and if the answer is yes, then definitely we will be very keen to acquire something.

**Kunal Dhamesha:** Anything like chronic, acute?

**Dr. Vikas Gupta:** Yes, of course. Chronic will be our first priority, because that's a business that we are building at scale. But since we have presence across therapies, we will not be averse to any therapy so to say to consider as far as acquisition is concerned.

**Kunal Dhamesha:** Let's say today, like what would be biggest obstacle for you to do an M&A, would it be the availability of asset or the availability of asset at right price, what would be the bigger concern for you?

**Dr. Vikas Gupta:** It's a mix of both, but more number two.

**Moderator:** We have our next question from the line of Srikanth from Nuvama. Please go ahead.

**Srikanth:** Just two questions. How do you see the anti-infective season in FY'25 considering the monsoon prospects?

**Dr. Vikas Gupta:** I will be bullish, but this is a forecaster job, I can't forecast how rains or season will play out. But yes, what I know is trends in the previous year and balance let's see, it's not very far, we will get to see in a few months.

**Srikanth:** But within your 10% guidance for the domestic growth, what sort of growth would you have pegged in for the anti-infective considering it is very large therapy and we had very poor season last year?

**Dr. Vikas Gupta:** So, I would peg it at somewhere within the range of 7% to 8%.





**Srikanth:** And on the domestic biosimilar, what will be the current contribution of this business and how is it growing, if you can talk about last two, three year performance and how the margins have been performing there?

**Dr. Vikas Gupta:** So, the business has really grown well, today stands at around 5% of our overall domestic business and the margins are decent enough as far as this business is concerned. So, the competition is also less as compared to certain other segments as far as the biosimilar business is there, and we continue to get strong and strong with every passing quarter as far as this business is concerned.

**Srikanth:** Again, biosimilars only, how big do you think that the biosimilar market is in India in terms of value?

**Dr. Vikas Gupta:** There is no organized report over there. So, whatever estimates I would give would be my view versus anyone else's view. So, I would refrain from giving a number over here, but IQVIA give its own number but in these kind of markets you can't rely only on IQVIA numbers. What we are seeing is that whatever seven products that we are getting into, there is enough headroom for us to grow and build brands as far as on the biosimilar market is concerned. So, that's how I will put it.

**Srikanth:** And on the biosimilar, do you need to put different MR force or you can market this to existing sales force?

**Dr. Vikas Gupta:** It depends in the product-to-product. For some products, we need a specific task force to cover those specialties, but there are many products there are regular field force helps us take that to the market.

**Moderator:** We have our next question from the line of Harsh Bhatia from Bandhan AMC. Please go ahead.

**Harsh Bhatia:** Just two quick questions. I joined the call a bit late, so maybe repetitive, but the Enzene plant once it gets commercialized in the 4th Quarter. Dr. would you say that on an analyzed basis, the Enzene segment as a whole would still continue to be breakeven once the 4th Quarter costs come into picture or would you say that would not be the case?

**Dr. Vikas Gupta:** So, I think Nitin already had answered this question. So, it will still take a while because when it was only India, breakeven So, we saw the breakeven happen only ex-India but now we will need investments that need to be made for this plant. And once we start clocking in revenue which may be Q4 is to Q1 of somewhere around that time, that is the time we will be able to give you some outlook on when do we break even for the US investments that we have made on the overall. Right now we are focusing on a strong top line growth as far as this business is concerned which is what we are pretty bullish about.

**Harsh Bhatia:** Margin guidance, so I understand the Enzene part of the chronic share and the trade generic margin potential as such, what is your internal assumption very qualitatively, directionally, again



*Alkem Laboratories Limited  
May 29, 2024*

for your most important, let's say raw materials or revenues of PenG, what is your internal assumption to that extent, the internal part of it?

**Dr. Vikas Gupta:** Like PenG is, I have already answered. It's very hypothetical because everybody is expecting it to play out the way it has to play out because one large Indian player has already started producing. Our assumption is that we should see the costs easing out over a period of time. Right now, we haven't seen any significant change on that front. I think once that happens, then obviously, our numbers will start showing it up.

**Harsh Bhatia:** And lastly, just bookkeeping, in this quarter, is there anything incremental on the other OPEX side? I understand that you haven't called out anything in particular as such. So, there is no one-off in the other OPEX line item?

**Nitin Agarwal:** Only one-off was service level penalties which we have incurred. So, in our U.S. business we face some supply chain issues and because of that we have incurred some amount of service level penalties. So, that was the only one-off.

**Harsh Bhatia:** That would be in the range of \$1 to \$2 million at max or maybe more?

**Dr. Vikas Gupta:** So, for the entire year, it was around 120 crores.

**Moderator:** We have our next question from the line of Achal Maheshwari from Equirus Securities. Please go ahead.

**Bharat:** This side, Bharat. So, sir, just wanted to understand again on the supply chain penalty penalties which we have faced. So, what were those during 4th Quarter, if you can call out that number?

**Nitin Agarwal:** That was 30 crores for 4th Quarter.

**Bharat:** And how do you see this supply chain issues going forward and especially on the U.S. business, how do you see U.S. business on a normal basis, whether it will be again back to 80 million or how should we look at it?

**Dr. Vikas Gupta:** So, you mean in terms of supply?

**Bharat:** Yes, you mentioned that there were some supply issues for the first two months.

**Nitin Agarwal:** So, we had certain back orders and because of which we are facing this service level penalty. But as we have ramped up our supply chain to bring down the back orders, we see that situation getting used with every passing quarter. So, on an overall basis, I guess we should be pretty much in control of this and we should be able to bring this number down in the current financial year.

**Bharat:** Again, on Enzene business, so what sort of operational expenses we are seeing for the new plant?



- Nitin Agarwal:** So, this year is largely CAPEX that we will be doing and some operational expense that will happen. This year it will be around say 30 to 40 crores of operational expenses we will incur on both for R&D and the hiring of employees, also for their training and all. But most probably from Q4 onwards we will also start seeing the revenue.
- Bharat:** So, on an annualized basis, you're expecting almost like 100 to 120 crores sort of expenses on this plant.
- Nitin Agarwal:** Going forward from next year?
- Bharat:** Yes, for FY'26, we will be building in almost like 100 sort of crore?
- Nitin Agarwal:** Yes, it will be say, 120, 130 crores.
- Bharat:** What sort of response we are getting from the client, so whether we have got any commitment, some initial interest from the clients from the orders perspective from the CDMO perspective?
- Nitin Agarwal:** We have already started building our order book in US. I can't share the numbers like how much orders we have already booked, but we already have customers who are ready to work with us. So, once the plant is ready, I think we will start serving them.
- Bharat:** Just trying to understand, whether it will require incremental R&D spend from our side as well to conduct the business or will we -?
- Nitin Agarwal:** No, we will not be investing much in R&D. I think the clients will invest.
- Bharat:** So, it will be more of the contract manufacturing services which you will be providing for?
- Nitin Agarwal:** Yes.
- Bharat:** We were earlier referring that we will be seeing almost like 100 to 120 bps margin improvement every year. So, has that changed because for this year, as far as you have mentioned that there will be only 30 crores spend, which will be coming through from the Enzene plant, but you're stating that the overall EBITDA margin is expected to remain flattish?
- Nitin Agarwal:** So, first of all, we overperformed over the guidance which we have given. We have given a guidance of 17% and we achieved 17.7% in the current year itself. So, definitely there will be a few points of improvement, but broadly very significant improvement over what we have achieved in FY'24. Maybe say 20, 30 basis points, we can expect, but probably very significant improvement, because as Vikas spoke about that because of say NLEM also there's no price growth in on a significant part of our portfolio. So, we will try to push our, say, domestic sales through volume. So, definitely, the margin will be more or less in line with what we have achieved.



*Alkem Laboratories Limited  
May 29, 2024*

- Bharat:** In 4th Quarter, was trade generic business very different from what we would have done for the full fiscal?
- Nitin Agarwal:** No, the contribution of trade generic was on the similar line like of our total domestic business.
- Bharat:** In the 4th Quarter, right? And when we are guiding for 10% growth in the domestic business, what sort of growth we are expecting for IPM?
- Dr. Vikas Gupta:** IPM should be in the range of 8 to 10-ish, I think somewhere around that.
- Bharat:** So, we are expecting any outperformance as compared to IPM or we are expecting to be largely in line with market?
- Dr. Vikas Gupta:** We're looking at in line or a plus one cent compared to IPM, somewhere within that range on a full year basis.
- Bharat:** We would have already seen some sort of ramp up already happening in for this first quarter?
- Dr. Vikas Gupta:** I can't give any numbers this time.
- Moderator:** We will take a last question from the line of Yash Tanna from iThought PMS. Please go ahead.
- Yash Tanna:** Sir. I was just wondering about the medical devices business. I mean there were a couple of news articles relating to Alkem launching a couple of medical devices and I think you also mentioned probably in one of the media interviews. So, is this line of business we would probably look to make an acquisition, is that a possibility or if you can just elaborate about this line of business?
- Dr. Vikas Gupta:** Sorry, this line of business, can you make a -
- Yash Tanna:** The medical devices there have been a couple of media articles relating to Alkem launching a couple of medical devices.
- Dr. Vikas Gupta:** So, see, it's a line of business that we are setting up now. So, it will be a mix of both organic as well as we are very open to even if there is any inorganic opportunity that comes in on that front. So, it's going to be an important line of business for us. We've just started and we've just floated that company. So, we will give you further details on it as and when we've got significant details on the same.
- Yash Tanna:** And this is mainly for the domestic market or are we targeting another market?
- Dr. Vikas Gupta:** To begin with, its domestic market.
- Yash Tanna:** And if you could also throw some light on ophthalmic division. So, how is that progressing and what's the vision of that?



*Alkem Laboratories Limited  
May 29, 2024*

- Dr. Vikas Gupta:** Like I said, even in the last quarter, ophthalmic is a very recent launch that we have had. So, it's a business which is growing with every passing month. But it's right now a very small. It's a very potential. Market size is very big. The number of players are lesser as compared to certain other therapies. So, we are bullish about this market. But we've just entered into that market. It's early days and we have some of the new launches that we have planned in this therapy as well. So, I think that is where we will see how the business progresses over the coming quarters.
- Yash Tanna:** And if you could provide like a vision, if Alkem wants to come in the top like whatever probably...
- Moderator:** You're not clearly audible. Voice is not very clear.
- Yash Tanna:** This is just relating to the vision of Alkem division, whether in a five year vision, if we could reach top 5 category or something?
- Dr. Vikas Gupta:** So, we said top 10 I guess. But yes, we're pretty bullish. Any business that we launch, that's with the vision to enter the top players in that segment. We're not a company where we have operated in that market and we do not have a meaningful presence. So, we have that credential that whatever segment we have entered, we have made it really meaningful, and we are in the top players in that segment. Same will be the case with this business as well.
- Moderator:** We will take that as the last question for today. I would now like to hand the conference over to management for closing comments. Over to you.
- Purvi Shah:** Thank you, everyone for taking your time out today and making this a meaningful discussion. If you have any queries which remain unanswered, please feel free to connect with us and thank you once again.
- Moderator:** On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.