

Date: 19th November, 2021

To, The Manager, Department of Corporate Services, BSE Limited P. J. Towers, Dalal Street, Fort, Mumbai - 400 001

Dear Sir/Madam,

Sub: Transcript of Post Results Conference Call

With reference to our intimation dated 29th October, 2021 regarding schedule of Post Results Conference Call, please find enclosed herewith the transcript of the said Conference Call held on 10th November, 2021.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Alembic Pharmaceuticals Limited

Charandeep Singh Saluja Company Secretary

Encl.: A/a



"Alembic Pharmaceuticals Limited's Q2 & H1 FY'22 Earnings Conference Call"

November 10, 2021





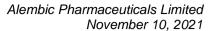
MANAGEMENT: MR. PRANAV AMIN – MANAGING DIRECTOR

MR. SHAUNAK AMIN -- MANAGING DIRECTOR,

MR. R.K. BAHETI - DIRECTOR, FINANCE & CHIEF FINANCIAL OFFICER

MR. MITANSHU SHAH – HEAD, FINANCE,

MR. AJAY KUMAR DESAI - SENIOR VICE PRESIDENT, FINANCE,





Moderator:

Ladies and gentlemen, good day and welcome to the discussion on the company's Q2 & H1 FY'22 Financial Results of Alembic Pharmaceuticals Limited. Joining us on this call today, Mr. Pranav Amin -- Managing Director; Mr. Shaunak Amin -- Managing Director; Mr. R.K. Baheti — Director, Finance and CFO; Mr. Mitanshu Shah — Head, Finance and Mr. Ajay Kumar Desai -- Senior VP, Finance. 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. R.K. Baheti -- Director, Finance and CFO. Thank you and over to you, Mr. Baheti.

R.K. Baheti:

Thank you. Good evening, everyone. Thank you all for joining the Second Quarter Results Conference Call. I'm sure you would have received the results by now; however, let me briefly take you through the highlights for the quarter/half year ended 30th of September 2021.

Financials: All of you are aware that H1 of last year, particularly Q2 of last year was exceptionally good for our US Generic business. Steep price erosion in this market since then has impacted the business adversely. The adverse impact got compounded by the fact that with effect from 1st of September 2020, the Government withdrew export incentives for pharma sector and also the Indian rupee was trading higher than dollar almost throughout April to September 2021 vis-à-vis H1 of last year.

However, good part is that we have been able to arrest the fall on a sequential QoQ basis, we did almost 98% of sales and PBT and PAT are 5% and 3% higher than preceding Q1.

During the quarter, our revenue was down by 11% to Rs.1,292 crores, this is in context of previous corresponding quarter, that is September 2020. EBIDTA was Rs.268 crores which is 21% of sales. Profit before





tax and profit after tax was Rs.209 crores and Rs.169 crores respectively.

EPS for the quarter is Rs.8.61 per share versus Rs.17.24 in the corresponding quarter in the previous year.

Coming to H1 numbers, our total revenue was down by 6% to Rs.2,618 crores. EBIDTA down by 40% to Rs.522 crores, which is 20% of sales. Profit before and profit after tax are down by 47% to Rs.408 crores and Rs.334 crores respectively.

Earnings per share for H1 is Rs.16.98 per share versus Rs.33.25 per share in corresponding H1 of previous year.

CAPEX for the quarter is Rs.133 crores, H1 is Rs.257 crores. Cumulative CAPEX for ongoing projects under CWIP including the preoperating is Rs.1,981 crores.

Financial assistance to Aloer JV for H1 is Rs.55 crores.

Borrowings: The gross borrowing at consolidated level is Rs.850 crores versus Rs.500 crores in June 2021. The company has Rs.329 crores cash on hand. As on 30th of June it was Rs.273 crores. So, at net-net level we are at similar levels. Net debt-equity stands at 0.10.

I will now hand over the discussion to Pranav for his presentation on international business.

Pranav Amin: Thank you, Mr. Baheti.

As you all know, the US business continues to remain challenging on account of the price erosion. As we felt it more because the last three years have been quite phenomenal in terms of the pricing and the opportunities that we had in this market. As we move forward, we look forward to launching new products as well as picking up share in existing products. We remain bullish on the US market in the future and the years to come.



R&D expense was 13% of sales at Rs.168 crores for the quarter.

We filed 3 ANDAs during the quarter. We also received 5 approvals, including 1 tentative.

We cumulatively have 150 ANDA approvals including 18 tentative approvals.

We launched 4 products during the quarter and we plan to launch around 8 to 10 in the second half.

Just minutes back, the FDA concluded reinspection at our injectable facility F3 located at Karkhadi. As you know, the F3 facility had received the EIR about a month back. However, the USFDA came for reinspection on 28th of October till today, just up until half an hour back. And they've concluded the inspection with 10 observations. None of the observations are related to data integrity, and the Management believes that they are all addressable. The inspection also covered two additional products at our Opthal line other than the one which had come for earlier. Hopefully we will get compliance in place and send our responses shortly.

Coming to the financials, the US generics was at Rs.348 crores for the quarter, which was down about 40% compared to the last year, which was a phenomenal quarter for us. During the half year, it was Rs.716 crores.

The ex-US generics remain flat at Rs.197 crores for the quarter and grew 6% on a half year to Rs.394 crores for the first half. As you know the ex-US generics had a high base of last year where we had again a phenomenal growth.

API business degrew by 9% to Rs.239 crores and it was down 2% to Rs.519 crores for the first half. The API business also while it continues to do well, it was little accomplished last year because we had a lot of





Azithromycin API sales, which was used in COVID. So net of that, rest of the business has grown.

I now request Shaunak to take you through the India Formulations Business.

Shaunak Amin:

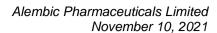
Good afternoon, everybody. For the quarter, India Formulations business grew pretty much in line with our expectations with a robust contribution from all our key therapy areas, along with all the key product segments. If I could say, this was a key landmark to this quarter's numbers. Very briefly, the areas that are critical to Q2 numbers were based on consistent improvements in couple of areas. Just key ones of these are on-ground execution and operational efficiencies. The entire sales team has improved tremendously over the last two years. This complemented with a more evolved approach to how we engage with customer relationships, something that we were in the process of implementing over the last two years, enabled us to kind of increase both the quantity of customers we could engage with a more robust quality of engagement with customers.

Coming to the numbers, the India business grew by 23% to Rs.509 crores for the quarter and it grew by 37% to Rs.989 crores for H1 on a YoY basis.

Acute segment recorded a primary growth numbers of 27%. As you guys are aware, last year was abnormal sales period for Arithromycin oral solid. If I were to take ex of oral solid, the Acute business grew by 79%.

On the specialty side, we had a 20% growth. Majority of it was driven in all the therapeutic areas. We have 16% growth in gastroenterology, 22% in gynecology, diabetic was 29% and orthopedic was 34%

Animal healthcare business continues its run of great performance now; it recorded 24% growth over Q2 last year. And as you guys are aware Q2 last year for animal healthcare was a great quarter also.





We are quite positive about this business going forward. As we see today, there are multiple operational levers that we are working on to keep this momentum going. Also, along with that there's a large scope to resource this business adequately. In the past, we had been extremely conservative and cautious on the resourcing of this business.

Along with this, continued optimism about the overall IPM growth, which we've been seeing for a few quarters now, hopefully should add further momentum to these numbers.

I will throw the floor open to questions now. Thank you.

Moderator: We will now begin the question-and-answer session. First question is

from the line of Damayanti Kerai from HSBC Securities and Capital

Markets. Please go ahead.

Damayanti Kerai: Sir, my question is on FDA inspection for the injectable plant. So what

has triggered FDA inspection in such a short interval since you received

EIR sometime back?

Pranav Amin: Good question. To be honest, I don't know. But they had mentioned that

they will come physically to re-verify everything. And apart from the one product Ketorolac for which the inspection was earlier, they came for

two additional products as well.

Damayanti Kerai: So it was product-specific as well as the normal GMP reinspection by

the FDA?

Pranav Amin: Because it's not a commercial facility, it is always product-specific to get

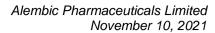
the product approved. So apart from the first product, they came for two others, and they wanted to come and physically verify some of the

others as well.

Damayanti Kerai: You mentioned you received 10 observations. Which are addressable

as per you in I'll say reasonable timeframe?

Pranav Amin: I believe they're all addressable.



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Damayanti Kerai:

My second question is again on the US business. So due to this sort of challenges, do you think the opportunities from the CAPEX which we had invested in last couple of years, the upside is now pushed behind significantly from what we had anticipated earlier?

Pranav Amin:

We continue to remain bullish on the US market. I still think it's a very interesting market. As you know in last few years, we've had a much higher return in the US market and at the corporate level much better. because of the shortages in the market, we charged much higher prices, right. So that's what's corrected itself now, which we expected it to happen. Of course, it lasted longer than expected. So we're happy about it. I expect that disruptions will restart in the US business in the next six months or so, that will give us more opportunities. As regards the CAPEX, it depends which parts of the CAPEX. If you see, your CAPEX that we are in a JV, that's already started contributing and it's already commercialized products, F3 will move back a little bit because of this inspection till we get this compliance. F2, the oral solid is already approved, but it's not what pushed back, it's just that the patent expiries are later and we wanted to lock in the Para-IV. So that is on track. F2 injectable, we have filed the first of our two products so that should also trigger an inspection. So by and large, this all should be on track as far as we are concerned except F3 which just got pushed back due to this FDA observations.

Damayanti Kerai:

My final question is when do you expect bottom for the US business for us, because we have been seeing struggle for last few quarters and we understand pricing situation still remains challenging in the US. So according to you, when you will be reaching bottom and we should see the company from day one?

Pranav Amin:

The bottom is when someone stops reducing the prices. Having said that, what we've seen in Q1 and compared to last year what we've seen in Q2 year-on-year, this is where the base is a new base is there right now. It's a fairly steady product mix and that's where we are.



Alembic Pharmaceuticals Limited November 10, 2021

Damayanti Kerai: So this 45 million to 50 million a quarter is a new base as per you?

Pranav Amin: What we had in Q1, Q2, similar numbers, that's what we expect,

somewhere around there.

Moderator: The next question is from the line of the Tushar Manudhane from Motilal

Oswal Financial Services. Please go ahead.

Tushar Manudhane: Just again on Karkhadi inspection, I would like to understand out of

these 10 observations, are there anything which were similar or more or less same as the one which were issued in the February inspection?

Pranav Amin: Tushar, the audit just got over. So I am not going to the details. I know

there is no data integrity. And I believe they're all addressable.

Tushar Manudhane: Just to clarify, so this got again, triggered by a product-specific

inspection. So these were for three products or for two products?

Pranav Amin: They came to verify our compliance, number one, and number two,

while they were here, they also came for two additional products, so

total three.

Moderator: Thank you. The next question is from the line of Vineet Gala from

Monarch Networth Capital. Please go ahead.

Vineet Gala: I have two questions on this F3 plant. So sir, as per your initial

comments, we have been audited for three products altogether now. So if you could throw some light in terms of the commercialization timelines, competition, and tell us broadly about the markets for us to

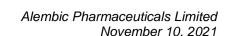
gauge the potential?

Pranav Amin: We don't disclose the name of the products or the market size, because

it's little misleading. So I would like to refrain from that.

Vineet Gala: What would be the commercialization timelines like, by when do you

expect the remediation to get?





Pranav Amin:

We literally just got completed the audit. So we will send our responses to them and then it depends on what the FDA feels. So it's tough to say, I can't really give a timeline on that, because they may be a back and forth with the FDA, they may recommend some other corrective actions, but it's tough to say.

Vineet Gala:

Last question on the cost rationalization initiatives that we've discussed during our last call. So if I check most of the expense line items, they're sort of in line on a QoQ basis with respect to the employee cost or the R&D expenses. So what are the cost elements that we're looking at rationalizing?

Pranav Amin:

It's a good point. We have done a lot of rationalization of the employee cost. You will not see it now, you will only see it Q3 Q4 onwards because of the timeframe, but moving forward, you will see that. Second thing that happened is, in terms of cost, while we have done cost rationalization in terms of employees as well as consumables, efficiency improvements, they've kind of got blunted out a little bit, because we've seen much higher freight cost during the period, as well as the supply chain disruptions that we've seen the shipping costs that have gone up. So these have led to some higher costs. We also shipped a lot more by air. I mentioned that we picked up a few new accounts, again, you will see the increase in business in Q3, and a lot of those products which was a little higher in the last quarter. So that's kind of blunted it out a little bit of the cost reduction initiatives and the profit for that matter of fact.

Vineet Gala:

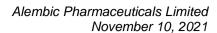
So like on the R&D side and on the gross margin. So Q2 be considered as a sustainable base going forward?

Pranav Amin:

yes.

Moderator:

The next question is from the line of Rashmi Sancheti from InCred Capital. Please go ahead.





Rashmi Sancheti: Just want to understand the reason for the sequential improvement in

the gross margin. Was it a product mix or company has some inventory gain benefit, or what exactly it was? Q1 FY'22 also had higher COVID spends and that's why the margins were impacted and this is something which is going to be a new base what is shown in Q2 despite higher API prices, we are seeing a pretty good improvement in the gross margin.

R.K. Baheti: I don't know what you're referring to, because the margins are flat as

far as Q1 is concerned and down as far as Q2 of last year is concerned.

Rashmi Sancheti: What I meant is basically the raw material cost is pretty low compared

to Q1 FY'22, the previous quarter?

Mitanshu Shah: Yes, the reason is that again, product mix actually and you will see this

fluctuation, but the band is very small, like the band would remain between this 2% to 5%, essentially in Q2 it is a little lower on account

of product mix.

R.K. Baheti: This is consol result and domestic business has done much better

where the margins are better.

Rashmi Sancheti: Excluding Azithromycin, what is the growth in the domestic business on

YoY basis?

Ajay K Desai: Except Azithromycin, it is 35% during the quarter.

Rashmi Sancheti: My last question is that have we operating cost started coming in from

the new facility?

Pranav Amin: We are just doing the filings and the batches. We cannot commercialize

it until we get the final approval from the USFDA.

Moderator: The next question is from the line of Anmol Ganjoo from JM Financial.

Please go ahead.

Anmol Ganjoo: My question is to Shaunak. If you look at the domestic business, I think

it's really impressive when you look at it in the context of the ex-Azithral





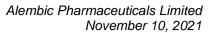
number, 6% sequential growth, and also given the fact that even this is a business which has been all waiting to kind of rebound, how do you want us to think about drivers for this quarter which led to this big beat? And on a full year basis how should we think about the base domestic number? Even if you look at the therapy wise performance, while the growth for Alembic is faster than the representative market, but obviously that's not enough to explain such a big outperformance.

Shaunak Amin:

Let me answer it, Anmol as much as I can, maybe Ajay can chip in with some data. So, like I said, some of the stuff we've done operationally, and we've been talking about it for some time, the impact that we're seeing is not unfolding in one product segment. We've seen some of these operational efficiencies unfolding across the organization. So if I could put it is not limited to acute or gastroenterology or gynecology or anti-diabetic, it's happening across the board. Every segment has seen a strong growth for us, including the ones that are even very tiny for us. For example, derma ophthalmology that was quite small, but those also have seen a good growth. And animal healthcare, which is actually a totally unrelated business, but a lot of these operational realignments have happened in that part of the business also. So that's how we see the growth going forward. I mean, where are the opportunities for growth to increase? in certain key areas, gastroenterology is definitely a scope to increase those numbers. Cardiovascular has some scope. Anti-diabetic there's definitely lot of scope for us to grow numbers. I wouldn't put it on an absolute basis per se what I'm expecting because as you're aware, market numbers determine our growth numbers also to a fair degree. What I can say is that if there's any delta between the market and the internal numbers, taking in factor of all base effects and things like that we expect good outperformance versus RPM to happen going forward. I don't know if that answers it.

Anmol Ganjoo:

Yes, that answers the question largely, thanks for that. But anything more granular that you want to call out for in terms of either lead indicators or products that we should be watching to kind of monitor whether this new impressive number is really sustainable?





Shaunak Amin:

I would look at it is that we can send you guys a list of products that is key within each of these therapeutic areas. And if you were to see at each product level, pretty much in every product we've done well. For example, it's not just a lead product which has done well, it's the number one, number two, number three, number four product, all the four products have done well and we've been able to kind of find space for all of them to grow and figure out how to do it in a way that suits us. But we can send you at a granular level product wise from IMS what you guys can track as a lead indicator for this.

Anmol Ganjoo:

My next question to Pranav. This quarter, did we see the full impact of incremental competition in Theophylline?

Pranav Amin:

If you ask me, the market shares are steady and we've seen the full impact of Theophylline in this quarter.

Anmol Ganjoo:

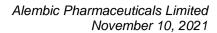
To that extent, assuming the current run rate of approvals, even assuming that you don't get injectable approvals, would it be fair to assume that always hard to pinpoint the exact number but we're somewhere around close to the bottom as far as the US quarterly run rate is concerned or are you seeing even further adverse headwinds with respect to the US?

Pranav Amin:

Good question. Anmol, compared to the business is last year, where we had unusually high prices, this is the new base. And while we may see erosion, we're not going to see the massive chunk that you saw on the sartans that happened last year to this year, there may be a little bit it will be marginal. This is the new base. we now grow on to this with new product launches and capturing new opportunities.

Anmol Ganjoo:

I know it's been very early since you guys have received the US FDA communication, but anything in particular you want to call out or you think there'll be a time that we get incremental update on this, because I am feeling really excited that the facility had finally gotten an EIR?





Pranav Amin:

for us as well, and we're actually hoping they'll come back. it's a learning curve, it's a new area for us and I'm pretty sure that we will get through this. Because I think particular I can't talk about right now, because I've not really studied before giving any input, but I believe they're all addressable. And I believe as with our other facilities, we've been compliant. This will also get there. It's going to take some time and there's a little bit of learning curve on it.

Moderator:

The next question is from the line of Mehul Sheth from Axis Capital. Please go ahead.

Mehul Sheth:

Sir first question on your cost rationalization that you talked about, you have rationalized the employee cost, it is for India part or across the business or the US-specific?

Pranav Amin:

So this is part of the international business, which is US and API, this is not the India business.

Mehul Sheth:

When we say gross margin, it's largely led by better domestic businesses, same scenario was there in Q1 as well. So what was the thing that is working our favor in this Q2 to see that improvement in the gross margin?

Pranav Amin:

I'd say it's not directly correlated while domestic they do well. It's a combination of factors; the product mixes in both the divisions and various other opportunities. It's just to mind in the whole scheme of things.

Mehul Sheth:

One question on India business. You have reported a very strong H1 growth but when I see AOICD data for a single month, your growth is almost like a flattish, 0% growth. So how do you see the trend going forward from here?

Shaunak Amin:

I can't comment on AIOCD numbers. We don't subscribe to that data.



Alembic Pharmaceuticals Limited November 10, 2021

Mehul Sheth: Just can you give a monthly trend or the trend that you're seeing from,

say, speaking of the normalized growth or what kind of growth you're

seeing we can say, in October, November month?

Shaunak Amin: If I could put it growth continues the way it was, we don't see any change

in that. The market growth numbers have come down a touch, but maybe that's more seasonal in nature, but we expect this to continue

as well.

Mehul Sheth: Still we can expect like more than 20% kind of growth in FY'22 in

domestic?

Shaunak Amin: I can't predict. There's still quite a few months left between now and

end of the year. For a 20% kind of growth, the market would have to continue with the kind of growth numbers that it's been showing so far.

There might be some easing up.

Mehul Sheth: On the US front, so we are seeing this quarterly run rate of around \$48

million, \$49 million or \$100 million. So, on annual front, this will imply more of like a 200 million in sales and there will be some contribution from the new launches and all. So just wanted plus kind of sales that

we can assume for the FY'22?

R.K. Baheti: We refrain from giving guidance. Having said that we see last quarter

being almost the bottom, if not the bottom, there were some erosion in prices but expect to set it off against our new launches and some pickup

in market share. That's all we can say at this moment.

Moderator: Next question is from the line of Cyndrella Thomas from Centrum

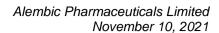
Broking Limited.

Cyndrella Thomas: Again, on the US market, if I look at the current base of 47, as you're

seeing this could be more new base, but if we look at the EIR, or the

upcoming activity from USFDA, how should we look at it from a 12 to 18 month perspective, what kind of new product basket do we expect

over 12 to 18 months specifically from the injectable side and what kind





of cushion it can provide to the space if you could help us understand a bit more color?

Pranav Amin:

I would not like to segregate injectables per se we haven't done that. But our filing continues to remain closer to 25 ANDAs per year. And that includes injectables, ophthalmics, everything, it's a mixed bag. In terms of launches, as I said, this year, we launched about 15-odd products and we'll continue launching about 15, 20 products and some of those in the future as and when the EIR will come will be from the injectable facility as well.

Cyndrella Thomas: So do you see any incremental cushion coming over next 12 to 18

months timeframe?

Pranav Amin:

Yes, I mean, absolutely, as we see more launches, that will keep adding to the base business as we move along, be it the injectables or OSC both.

Cyndrella Thomas: As this quarter we saw only three ANDA filing, so this should pick up as

we go ahead?

Pranav Amin:

Yes, as I mentioned for the year, our intention is to do about 20 to 25 ANDA filings.

Cyndrella Thomas: Just on the API business, if you could help us understand some more color and outlook, how things are because it's channel inventory normalizing how are we seeing things in terms of demand as well as the overall market for our API segment?

Pranav Amin:

The API business continues to do pretty well. it's an interesting part of the business, continues to do well. we're growing across the board and all the APIs. We've shown degrowth because last time was a very high base of Azithromycin which is used to COVID. You take that part from that the rest of the portfolios are growing and it's doing pretty well.



Alembic Pharmaceuticals Limited November 10, 2021

Moderator: The next question is from the line of Ranveer Singh from Sunidhi

Securities. Please go ahead.

Ranveer Singh: My question is on the India business. The growth in ophthalmology and

dermatology was due to low base last year or we have launched new

products during this quarter?

Shaunak Amin: Both these two segments have small contributions for us. I think there'll

be no new launches. There's been one new launch in dermatology, but not a big launch. There are no significant launches in either of these two

product segments.

Ranveer Singh: So how many new products we have launched in India in this quarter?

Ajay K Desai: Ten SKUs we have launched.

Ranveer Singh: And what was the number in Q1?

Ajay K Desai: In Q1 five SKUs, so all put together 15 SKUs.

Ranveer Singh: And I think you alluded in the US business in second half, 10-odd

products we are going to launch. So this run rate is going to increase in second half, I mean, any of these products are meaningful in nature?

Pranav Amin: As I mentioned, we launch 15-odd products during the year and that will

remain as is, it may be launched in one quarter or the other.

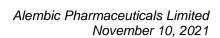
Ranveer Singh: What I hear that raw material prices has gone up for some basic

materials and that is percolating to APIs also. So do you see these volatility in raw material is going to impact the API in subsequent

quarter?

Pranav Amin: Yes, you're right, as far as industry is concerned, there is an increase

in raw material prices all across the board. As far as we are concerned, we haven't seen the impact of that, we do carry little high inventories to protect for this kind of a thing. We haven't seen that as yet. But Yes, we are moving forward, we will see it, because not just the raw material





prices, even with the higher fuel prices, we've seen solvent prices go up, but we are okay as of now.

Ranveer Singh: This cost rationalization, in which sector, is it on logistic side or supply

chain side, or just an employee rationalization we are doing?

Pranav Amin: To be honest, we are looking at cost reduction across the board; so

we've seen it firstly, in terms of the employees, secondly, in terms of the operating cost, thirdly, in terms of CAPEX, consumable, and fourthly is,

in terms of R&D as well.

Ranveer Singh: Despite our ANDA run rate remain same, R&D would be lower in terms

of percentage?

Pranav Amin: What will happen is the filing rate, because there's a time lag, right, so

we feel the impact of this is after a year, year and a half, we may see the lower filing rate, but till then, immediately, the filings, which is

already in place will still continue.

Moderator: The next question is from the line of Ritika from Valuequest. Please go

ahead.

Ritika: So if I heard you correctly, you mentioned to one of the audio

participants that you expect some disruption to happen in the US market in next six months to gain from it. Could you highlight more on this

opportunity?

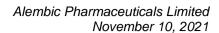
Pranav Amin: I said that I expect this kind of market situation to continue for another

six months with erosion and everything else. Will disruption happen? I don't know. If everyone knew about it, then it wouldn't be a disruption. But right now, what I'm saying is for the next six months to twelve months, the supply situation where there's excessive supply in the

market may continue and thereafter things may tighten up a bit.

Ritika: Also, we are seeing currently recalls and disruption on new kind of

impurity in other sartan products. Could you explain if Alembic has





exposure into that? And Yes, the disruption thing in that sartan market currently?

Pranav Amin:

We saw with some of the companies, there are some disruptions. We have not heard anything clearly from FDA as yet. But let's see what happens. As you know, as I was saying, the US market is a big market with large volumes and sometimes you may see these disruptions. And if it is, we'd like to capture those opportunities. But Yes, we're seeing and we haven't heard anything concrete from the FDA as yet.

Moderator:

The next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.

Gagan Thareja:

Just two questions. One, given TG Therapeutics guidance around Eukonic scaling up to 50 million next year, and also the PDUFA date for the CLL indication, would it be fair to infer that your income from the Rhizen JV could scale up significantly over the next two years?

Pranav Amin:

I agree because as I mentioned, Rhizen gets high single digit royalty on worldwide net sales. So let's see how TG scales that up with the new indication once they get that. So that should be exciting. I think it's been a slow start till we get the new indication. So that should be interesting moving forward at the Rhizen level.

Gagan Thareja:

I mean, would it have a material sort of an impact on profit growth starting next year in your opinion?

Pranav Amin:

As I mentioned, Rhizen has a high single digit royalty. So it really is a function of how quickly TG ramps up Ukonic and what level they get to, I mean, they are competing with the new indication CLL, it's a massive space, so it really is a function of how well they do.

Gagan Thareja:

You also have a manufacturing contract for Ukonic?

Pranav Amin:

Yes, we do have a manufacturing contract. Rhizen has a manufacturing contract and Alembic is doing it for Rhizen. So we do have the





manufacturing for that product as well. And as the volumes pick up, there could be a material impact there as well.

Gagan Thareja:

Second question on the Aleor JV. It has not scaled up that because of the competition in the derma space. How are you thinking on Aleor? Are there any cost levers or do you see an inflection point in the Aleor business as well?

Pranav Amin:

Yes, so you're right. As with all other businesses, the derm business has also seen a lot of competition. And that's where it's become little competitive. Aleor is a very low cost operation. Having said that, we have also done some cost rationalization at Aleor as well. It's just a matter of getting more products and getting the facility running fuller, which should happen in the due course, which is going through with filings in place, and that should help us in the future.

Gagan Thareja:

How much pre-operative expenses are still on the balance sheet? And by when would we be seeing the entire the full blown OPEX of the company coming through?

R.K. Baheti:

That will be dependent on when do we start using the facility commercially, and that we can do only after we get FDA inspection clearance, and then the product approvals. Difficult to give a timeline for that.

Gagan Thareja:

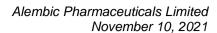
Sir, just a clarification on that, hypothetically, if the facility starts in a given date, all the cost pertaining to the facility be running through the P&L or would it be sort of limited to the product lines which are operational within...?

R.K. Baheti:

We intend to charge up the entire expense once the plant starts producing commercial batches.

Moderator:

The next question is from the line of Harit Ahamed from Spark Capital Advisors. Please go ahead.





Harit Ahamed: My first question is on the CAPEX for the first half. So, we disclosed

around Rs.270 crores in 1H FY'22. So, just trying to understand how much of this is capitalized costs both the operational costs and interest which get capitalized, how much of this 270 crores is that competent?

Mitanshu: Rs.270 crores includes Rs.130-odd crores is pre-operative actually,

this is the other CAPEX and in fact, we have a very small burden

actually, only Rs.500 crores of borrowing is attributable to that.

Harit Ahamed: So, given at some point, this additional 130-odd crores on half yearly

basis will be hitting our P&L and given we are having a high level of R&D spend, so, when the additional costs hit the P&L and at that point, we face some sort of margin pressures. Will we look at our R&D spends as a lever which we can use to kind of offset the impact of these

additional costs whenever it happens in terms of lowering the R&D

spend from the current rate of around 600-700 crores spends annually?

R.K. Baheti: Yes.

Harit Ahamed: Debtor days has increased versus March levels, but it's still on the lower

side. So I was wondering if normal course of business the factor receivables are anything specific, that's leading to the lower receivables

that we have.

R.K. Baheti: It's more efficiency of business and nothing, but our working capital

works together, debtors and inventory together is in line with industry, we are slightly smarter in receivable management and we carry a

slightly higher inventory.

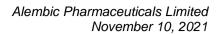
Mitanshu: Also, we mix matters, domestic we will have lower debtor days and if

you see sales mix, these are higher, domestic business that has

happend actually.

Moderator: The next question is from the line of Charulata Gaidhani from Dalal &

Broacha. Please go ahead





Charulata Gaidhani: My question pertains to the domestic business. Could you give a break

up in volume growth, price growth and new products for the quarter?

Ajay K Desai: I will give it to you separately.

R.K. Baheti: Broadly in line with the industry the volume growth, small price increase

and new products, altogether.

Charulata Gaidhani: Secondly, in terms of the specialty chronic India business, do you think

this is a new base?

R.K. Baheti: India business is growing, quarter after quarter after quarter, it would

continue to grow and as Shaunak explained, we expect it to be better

than market.

Charulata Gaidhani: Is the major growth coming from only Azithromycin and maybe Wikoryl?

R. K. Baheti: We don't get into product wise. IMS data is all available.

Charulata Gaidhani: Acute also they should continue?

R K Baheti: Yes, we should be outperforming the market.

Charulata Gaidhani: In terms of the US, of the 15 launches that we are planning, are there

any exclusive or first-to-file?

Pranav Amin: We don't disclose that.

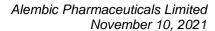
Moderator: The next question is from the line of Bharat Celly from Equirus. Please

go ahead.

Bharat Celly: Actually in the previous quarter, you have mentioned that gross margins

will be in the range of 70%, 71% and this quarter, it is around 74%. Obviously, there is a component which is largely because of the domestic business which would have had, but going forward in second half usually our domestic business is on our softer end. How do you see gross margins panning out to be considering even the solvent prices

which are going to also increase?





R.K. Baheti:

Pranav have already responded to a couple of other participants question. See, these are too small micro details because it depends on at what time you did the purchase of material, inventories are carrying at what cost. So, 2%, 3% quarter-on-quarter basis is a difficult tracking to do and difficult explanation to do. Broadly, I said the range is now set.

Bharat Celly:

Actually, on the rationalization part, so obviously, you are doing from the US as well as API business. Is it something to do with R&D division as well?

R.K. Baheti:

Actually, it is not department wise, function wise, it is on a need basis. Wherever we felt with the growth we had no time to really reflect on cost and other things and we were just focusing on capturing business opportunities so some flab would have been built in the system and we are now trying to cut that flab. So it is across.

Bharat Celly:

How big is the room for us to cut down this cost? Do you see that it can further be brought down other expenses I'm referring to obviously the employee...?

R.K. Baheti:

As Pranav said, we will start seeing the impact from Q3 and Q4.

Bharat Celly:

That was deferred for the employee expenses, but for the other expenses to what extent we can see the savings?

R.K. Baheti:

One, it's a consolidated balance sheet. So it also has domestic business. Now, we would continue to invest in domestic business, both in our marketing, field and all of that. So to that extent, those expenses may go on whereas at the IBU level some reduction in costs in manufacturing operations and R&D may be visible. So altogether, the rationalization will be done where it is needed.

Bharat Celly:

Sir, largely in a way, we are trying to say that the large part of the savings will be reflected in the employee expenses rather than in other expenses, am I correct?



Alembic Pharmaceuticals Limited November 10, 2021

R.K. Baheti: Yes.

Moderator: Ladies and gentlemen, this was the last question for today. I would now

like to hand the conference over to Mr. R.K. Baheti - Director, Finance

and CFO for closing comments.

R.K. Baheti: Thank you very much and wish you all very Happy New Year and in our

Gujrati tradition, we had the new Samvat starting and hopefully the new year will bring a lot more stability and prosperity to our business. And thank you for keeping faith in us and supporting us all along. Look

forward to see you again. Thank you.

Moderator: Ladies and gentlemen, on behalf of Alembic Pharmaceuticals Limited

that concludes this conference. Thank you for joining us and you may

now disconnect your lines.