29th July 2023

(1) BSE Ltd
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 500087

(2) National Stock Exchange of India Ltd
Listing Department
Exchange Plaza, 5th floor
Plot no. C/1, G Block
Bandra Kurla Complex
Bandra (East), Mumbai - 400 051
Scrip Code: CIPLA

(3) SOCIETE DE LA BOURSE DE LUXEMBOURG
Societe Anonyme
35A Boulevard Joseph II
L-1840 Luxembourg

Sub: Q1 FY24 - Earnings Call Transcript

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's Q1 FY24 earnings conference call dated 26th July 2023. The transcript is also available on the Company's website i.e., https://www.cipla.com/sites/default/files/Earnings-Call-Transcript-Q1-FY24.pdf.

Kindly take the above information on record.

Thanking you,

Yours faithfully,
For **Cipla Limited**

RAJENDRA KUMAR CHOPRA
Digitally signed by RAJENDRA KUMAR CHOPRA
Date: 2023.07.29 23:22:33 +05'30'

Rajendra Chopra
Company Secretary

Encl: as above

Prepared by: Chirag Hotchandani

“Cipla Limited

Q1 FY '24 Earnings Conference Call”

July 26, 2023

MANAGEMENT: **MR. UMANG VOHRA – MANAGING DIRECTOR AND GLOBAL CHIEF EXECUTIVE OFFICER – CIPLA LIMITED**
MR. ASHISH ADUKIA – GLOBAL CHIEF FINANCIAL OFFICER – CIPLA LIMITED
MR. AJINKYA PANDHARKAR – HEAD, INVESTOR RELATIONS – CIPLA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Cipla Limited Q1 FY' '24 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ajinkya Pandharkar from Cipla Limited. Thank you, and over to you, Ajinkya.

Ajinkya Pandharkar: Thank you, Seema. Good evening, and a very warm welcome to Cipla's Q1 FY '24 earnings call. I'm Ajinkya Pandharkar from the Investor Relations team at Cipla. Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections, or other estimate about future events. These estimates reflect management's current expectation of the future performance of the company.

Please note that these estimates involve several risks and uncertainties that could cause the actual results to differ materially from what is expressed or implied. Cipla does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new confirmation, future events or otherwise.

I would like to request Umang to take over, please.

Umang Vohra: Thank you, Ajinkya. Good evening to all of you. We appreciate you joining us today for our first quarter earnings call for financial year 2024. I hope you have received the investor presentation that we have posted on our website. We have also released our sixth integrated annual report for financial year 2023. This report continues to be a reflection of our commitment and focus towards improving transparency, governance and setting best-in-class disclosure practices.

I'm pleased to share our quarter one FY '24 performance, which demonstrates strong commercial execution, sustainability, and growth in our focused markets. Now I'll cover the key highlights for the quarter.

In quarter one FY '24, we recorded a solid 18% year-on-year growth across all markets. We have record revenue in both our flagship businesses of One India and the US. Our One India branded prescription business grew faster than the IPM as per IQVIA MAT June '23, driven by growth in chronic portfolio.US continues to scale new peaks by posting the highest ever revenue for the quarter once again on the back of momentum in our differentiated portfolio. In South Africa, the Private Market business has strongly bounced back from a challenging FY '23, posting double-digit growth in prescription and OTC segments. South Africa prescription business is now ranked second by market share in the country as per IQVIA MAT May '23.

With a strong revenue growth, Q1 FY '24 witnessed a strong EBITDA margin at 23.6%, largely driven by mix and efficiency in operations. In this quarter, we strengthened our balance sheet further and in line with our strategy. We continue to allocate our capital towards multiple growth initiatives, complex pipeline, new science, big brands, and expansion of our consumer portfolio to make this growth sustainable for the longer term.

I would now like to cover further details on our focus markets, which powered the growth for this quarter. Our India branded prescriptions business continued its market beating growth trajectory with a sustained momentum across all therapies by growing significantly higher than the IPM growth as per MAT June '23. Our share of chronic therapies in our revenue share grew from 58% to 60% on a year-on-year basis with improvement in industry market share from 8.4% to 8.6%.Continuing with our strategy of making big brands bigger, our leading inhaler brand, Foracort, clocked 27% growth in quarter one , which is one of the fastest –in top 10 IPM brands. Ibugesic Plus became the 11th brand to enter the top 100 IPM brands. Cipla is now among top two in terms of number of brands in the top 100 in the Indian pharma market.

Our trade generics business maintains its market leadership supported by traction in big brands. We continue with our launch momentum by adding 23 products in the portfolio to build our future. Our consumer health arm, CHL, witnessed a strong double-digit growth with margins reaching closer to mid-teens for the quarter, leveraging on our brand strength, market penetration, attractive consumer-focused packaging, and positioning.

Our differentiated portfolio in US continues to deliver strong growth for the franchise. The business yet again achieved its highest sales in the quarter by realizing a revenue of USD222 million, growing by a strong 43% over the last year.

Generic Revlimid continues to perform as per expectations, while Lanreotide has improved its market share to 18% as per the MAT May '23. Market share of Albuterol, which witnessed a drop in quarter four of FY '23 has now stabilized. We have not lost any customer awards on the product and continue to execute multiple work streams to capitalize on any new opportunities to grow this share further.

In South Africa, we are pleased to share that, Cipla is now the second largest player in the prescription market by market share. Cipla grew at a four-year CAGR of 8.6% in the market, which is growing at 3.6% per the IQVIA MAT May '23. South Africa's private market grew 13% year-on-year powered by an uptick in focused therapies in our prescription business as well as the high growth of 16% in our OTC portfolio.

Strong momentum across new launches has given our portfolio a new muscle for growth. Our focus continues to be driving market-leading growth and we aim to inch towards the top position in the market in the next few years.

Investing in the future pipeline has always been our priority. We have three differentiated products undergoing clinical trials with filings targeted in FY '24 and '25. We are expecting Symbicort to be filed by the end of this year. On peptides, we expect 4 to 5 peptide launches in the next two years. We also expect a couple of new peptides to be filed in the same period.

On the regulatory front, we still await classification from the US FDA for our Indore facility, which was audited in February 2023. However, we have already initiated corrective actions for observations as per the Form 483, we received from the FDA.

Implementation of CAPA and remediation continues for our Goa facility, where we hope to be re-inspected in the second half of this financial year. As informed in our last earnings call, de-

risking has been progressing as per our expectations for our key assets. Generic Advair is being derisked to an in-house facility, while we wait for the Indore classification. As guided earlier, we are expecting to take this product to the market in a period of 12 months with no incremental generic competition expected in that time frame.

Generic Abraxane, which is Nano-Paclitaxel, is being derisked to a CMO site. We expect the ability to supply from both of our sites for this file by FY '25.

I would now like to invite Ashish to present the financial and operational performance.

Ashish Adukia: Thank you, Umang. This quarter we further enhanced our performance across all our core businesses with expansion and profitability. We witnessed growth in all three of our biggest markets of India, US, and South Africa, supported by growth in focus portfolio of chronic and differentiated products.

Now coming to the key highlights for the quarter. We are pleased to report a quarterly revenue of INR6,329 crores. The overall revenue growth for the quarter was at 18% on year-on-year basis.

Our One-India franchise further expanded its market share by growing at healthy 12%, supported by growth in chronic portfolio. The impact of NLEM pricing for the quarter has been largely offset by multiple measures. New launches contributed to the growth in branded prescription business with our in-licensed products, Galvus and Scapho, contributing to the list.

The US business reported the highest ever revenue, driven by traction in differentiated portfolio with revenue of USD222 million, growing at 43% Y-o-Y. South Africa grew at 13% Y-o-Y in local currency terms, powered by a solid performance in private market, including OTC.

Amidst geopolitical and currency headwinds, the focus of international markets has been on margin expansion, which has aided our quarter one performance. Our free cash flow generation and operating efficiency continues to drive our healthy net cash position.

Our EBITDA margin stood at 23.6% for the quarter on a reported basis. As always, this EBITDA margin is not including other income. Our EBITDA margins for the quarter include impact of higher R&D expenses and other provisions. R&D investments are driven by ongoing clinical trials on differentiated portfolio as well as other developmental efforts higher in the quarter by 27% versus last year.

Our reported gross margin after material costs stood at 64.7% for the quarter, which is 230 basis points above last year's figures, driven by contribution from new launches and overall mix change.

Total expense for the quarter included employee cost and other expenses, which stood at INR2,598 crores, up by 3.8% on a sequential basis. Total R&D investments for the quarter are at INR349 crores or 5.5% of revenue and what like I said, 27% higher on a Y-o-Y basis.

Profit after tax for the quarter is at INR996 crores, so close to about INR1,000 crores, and about 15.7% of sales. The effective tax rate is constant Y-o-Y at 27.5%. As of 30, June 2023, our debt primarily constitutes ZAR720 million in South Africa, with cash equivalent balance at a company level of INR6,941 crores. This results in improvement of our cash position from INR5,469 crores in March to INR6,138 crores in this quarter end.

Looking ahead, we continue to walk on the path of revenue growth and operating profitability. Growth levers in the subsequent quarters will include continued market beating growth across One-India businesses of prescription, trade generics and consumer health.

Traction, a robust traction in our North America franchise across complex portfolio and continued contribution from respiratory and peptide products, creating a more resilient business through de-risked portfolio and supply.

Sustaining performance of quarter one for South Africa with focus on private market, select tender and improving the margins in South Africa, drive growth in focused geographies in international markets. We expect the full year EBITDA to be trending towards 23% for the year.

I'd like to thank you for your attention, and we request moderator to open for the questions.

Moderator: Thank you very much. We take the first question from the line of Mr. Saion Mukherjee from Nomura Securities. Please go ahead, sir.

Saion Mukherjee: Umang, this quarter-on-quarter improvement in the US, what do you ascribe this to? Is there a big Revlimid contribution? And in the next few quarters, how we should think about it?

Umang Vohra: I don't think the Revlimid contribution quarter-on-quarter is significant, Saion. The base business has also grown very impressively between quarter 4 and quarter 1. And of course, between quarter 1 of last year and quarter 1 of this year, we have seen our base business also grow tremendously. So quarter-on-quarter there is not a material difference in Revlimid between quarter 4 and quarter 1.

Saion Mukherjee: Okay. Thank you. And my second question, Umang, is on the future pipeline in the US. So you mentioned about 4, 5 peptide launches. Leuprolide seems to be having low market share. So how should we think about the potential of this peptides? And also particularly on Abraxane, is the bottleneck just around the site? Or are there any queries on the file that we need to address there?

Umang Vohra: Saion, on Abraxane, we have received notification that the only thing pending on the file is the site. And on your other question and I'm sorry, that was on Leuprolide, you will begin to see share gains because for that, we were waiting for certain price approvals in the market and certain codes being assigned, which is now done. Their codes have been assigned. So hopefully, you will see increase in market share there.

Saion Mukherjee: Okay, sir. Thanks Umang, I will join back.

Moderator: Thank you, sir. We take the next question from the line of Mr. Rohan Vora from Purnartha Investment Advisers. Please go ahead, sir.

Rohan Vora: Thank you so much. So my first question was, what would be the guided capex for FY '24 for Cipla?

Ashish Adukia: Yes. So we said about 5% of the revenue, 4% to 5%, somewhere in the range of INR1,000 to INR1,500 per annum is what you could take as the capex, which can be in the area of sustainability, modernization, as well as in some cases capacity enhancements.

Rohan Vora: Understood. And what part of this capex would be attributable to solely maintenance, wherein that would not lead to any kind of capacity expansion? Just pure maintenance capex?

Ashish Adukia: Without giving a split, it's a combination of both the capacity enhancements in API formulation as well as the -- there's maintenance capex. They can be small, when you're de-risking some of these assets of the US portfolio, there can be small capex on account of that as well.

Rohan Vora: Understood. So sir, even a broad range would be fine, workable. Just a broad range would also be -- what would be the maintenance and normal capex split? I was looking for that.

Ashish Adukia: You can take about 50-50 roughly of maintenance and growth.

Rohan Vora: Sure, sir. Just the last question here. I was also looking to understand this maintenance capex. So would this be in nature of what kind of equipment's are we looking at? What is the addition that would be made to our business as a whole? And just a little understanding for just my understanding kind of seek. Yes, thank you.

Ashish Adukia: Its again sustainability related, environment related and the maintenance. Sometimes in some of the plants, we have to take shutdowns to make sure that the equipment's are properly functioning to improve efficiencies, s etc.

Rohan Vora: Understood. Thank you so much.

Ashish Adukia: Thank you.

Moderator: Thank you, sir. The next question is from the line of Mr. Tushar from Motilal Oswal Financial Services. Please go ahead, sir.

Tushar Manudhane: Thanks for the opportunity. So, just referring to your earlier comment of the US or the North America growth more led by non-generic Revlimid. So what is driving the growth in terms of -- is it because the competitors are having the regulatory issue and that's why, we are able to gain market? Or is it because the price erosion itself is getting limited? If you could throw some light?

Umang Vohra: It's a combination of various factors. Price compression is obviously lesser than before. At the same time, we are seeing -- one has to also look at what is happening in the US. A large number of US companies are either amalgamating, merging, or are going bankrupt. That is eliminating certain number of people in the system. It's also having an impact on certain channels in the US, which only buy products which are made domestically. So we are seeing a rebalancing of the supply chain happening, because of which, our base families are actually growing.

And then obviously, we are seeing a resurgence in our share in products like Lanreotide. And then, we're also seeing at the same time, certain buying programs of different channels being serviced very differentially. So that's the thing, we are seeing. So it's a combination of factors. I would not attribute it to a single factor.

Tushar Manudhane: Understood**.** And sir, compared to previous quarter guidance of 22% and now we are talking for 23%. So broadly what has changed that gives the confidence of 23% EBITDA margin?

Ashish Adukia: Sure. No. So I think it's our target that we've taken. We've had a good quarter, this quarter 1. So it gives us some confidence that, we can take up that target of delivering 23% for the year. And you have to bear in mind that, seasonality of each quarter as well. So that also plays a role. So we've had a good quarter. But overall, we target to 23%.

Tushar Manudhane: Understood. And just lastly on Indore. While the classification is awaited, but has there been any feedback from US FDA apart from classification to understand particularly -- ultimately to the Generic Advair approval and launch?

Umang Vohra: We have heard that Generic Advair is now on the pending facility. And therefore, the fact that it is not yet cleared right now means the facility is still under evaluation. Having said that, the whole Advair transfer to another facility is underway. The facility is getting ready for this in the US and very soon the transfer activities will start.

Tushar Manudhane: Okay. Thank you, sir.

Moderator: Thank you, sir. We'll take the next question from the line of Mr. Kunal Dhamesha from Macquarie. Please go ahead, sir.

Kunal Dhamesha: Hi, thank you for taking my question and congratulations on the good set of numbers. Just continuing on the Advair part. So I believe that we would need to be finding some amendment to our initial ANDA. So, some colour as to whether that would be a major amendment or minor amendment? And have you already filed it with the US FDA? Or are we expected to file it in sometime?

Umang Vohra: No, it will be expected to be filed. We are still in the transfer phase right now. And yes, it will be -- the chances are it will be a major amendment.

Kunal Dhamesha: Okay. And is there any guidance from US FDA as to what time do they take for the major amendments or something?

Umang Vohra: No, we don't have. Generally, it's –as the outer, it's about eight months. If it is sooner because it's a limited generic, then it could be sooner within that period.

Kunal Dhamesha: Sure. Thanks. The second question is on the US generics overall market. You said there are some buying programs of certain channels. Are you kind of referring to some of the shortage products, where there are short-term tenders, which comes up? Or is it some channels like better administration and stuff like that?

Umang Vohra: It's a combination of all of those.

Kunal Dhamesha: And let's say, in the public data suggests that the US drug shortages are at an all-time high. So are we seeing -- I think commentary says that on a portfolio level, we are still seeing some price erosion. But in those shortage products, are we seeing a very good double-digit price hikes, in your view?

Umang Vohra: I don't think there is a general rule that prices have gone up across products, which are in shortage. I don't think that's happened. I'm not sure that, that is what has happened. It's just that the price pressure environment is lesser. So those are the two factors, we are seeing.

Kunal Dhamesha: And last one from my side. So the USD222 million revenue run rate, do you think it can sustain going forward in the coming quarters?

Umang Vohra: Our base level will be somewhere in the range of USD210 million to USD215 million, which is -- the quarter -- what I meant by USD210 million to USD215 million was what we will be reporting broadly, going forward quarter-by-quarter. But if you were asking whether our base business -- our base business would be slightly short of that.

Kunal Dhamesha: Sure. Thank you. I will get back in the queue.

Moderator: Thank you. We take the next question from the line of Damayanti Kerai from HSBC. Please go ahead.

Damayanti Kerai: Hi. Thank you for the opportunity. Umang, coming back to Advair. So should we assume -- like you mentioned 12-month for -- transfer rate -- transfer to the additional site and then, there is a timeline associated with amendment, etcetera. So broadly, should we assume this opportunity is now beyond FY '25?

Umang Vohra: No, not beyond FY '25. Beyond this year if Indore is not cleared, yes, but not beyond FY '25.

Damayanti Kerai: Okay. So if we consider all timelines, it could still be a '25 launch opportunity for you?

Umang Vohra: Yes. There's transfer to a new location, definitely, it's going to be a '25 opportunity.

Damayanti Kerai: Okay. And my second question is, if you can update us on your initiative in the India business? Because last quarter, you mentioned about adding MR. So that's first. And then if you can talk about your strategy in the three segments, Rx, Gx and the CHL part? That could be helpful.

Umang Vohra: Yes. So strategy in Gx is to be strong in the distribution side of the Tier 2 to 6 markets, which are seeing a large amount of the volume growth. We have a good portfolio family. So this market continues to expand.

On Rx, our branded franchise is doing really well. And the therapies that we are working on are growing, our respiratory therapy we are growing share. Cardiac, diabetes we used to be nowhere. We're now number 8. We're still growing strong, addition of portfolio through Galvus.

If you look at the cardiac thing -- cardiac segment, the whole focus on heart failure, structural heart diseases, that's where we are focusing on. Urology is also now; we have fixed our execution issues. We're bouncing back there. So almost all therapies are firing on all cylinders.

Our new product launch pipeline for the India market has been pretty significant. And overall, in terms of Reps, we have added about 250 to 300 reps already in this quarter.

Damayanti Kerai: So total is like 1000 MR addition for this fiscal, right, if…

Umang Vohra: Right. By -- Fully by the second quarter we would have added close to 400 or 500, and then we will probably stop at that for the time being.

Damayanti Kerai: Sorry, another 400, 500 by second half?

Umang Vohra: We will be at 500 net additions by quarter 2, and then we would stop because our program started sometime in quarter 4 of the previous year. So we have already added some reps in that time, then we've added 250 in this quarter, and then we'll add perhaps another 150 to 200 in the next quarter.

Damayanti Kerai: Okay. So on the Rx part, now with most of the issues fixed and MR addition coming to an end, etcetera, you are confident about maintaining above-market growth on the Rx segment?

Umang Vohra: Yes. We will be maintaining higher than market growth.

Damayanti Kerai: Okay. Thank you. I will get back in the queue.

Umang Vohra: Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Surya Narayan Patra from PhillipCapital (India). Please go ahead, sir.

Surya Patra: Yes. Thanks for the opportunity. Sir, just one clarification about the US business. We are almost approaching the 12-month for -- post our launch of Revlimid in the US. So any sense of what is the kind of volumes here that we are tracking in the US? And also the kind of a ramp up, what we have seen in the US business? To some extent it is not matching with the kind of a ramp-up in the description numbers for Revlimid. So if you can clarify there a bit?

Umang Vohra: Yes, what you're looking at is a little different. The issue is that you are trying to correlate the Revlimid business with the entire gain that's happened in the US, and I don't think that's true because our non-Revlimid portion has also gained significantly.

So across categories, we've seen higher share -- either higher share or, as I mentioned, buying programs that buy domestically or a channel readjustment that's happening in the market. So -- or shortages, right? So, even our existing families have done well. And certain new launches we've got disproportionate share of the market.

I'm not sure, we would like to give share on -- in the Revlimid because, frankly from a volume perspective, our volume shares are actually negligible or really marginal. So I don't think that's the right metric to track on this launch.

Surya Patra: Okay. Fine, sir. Sir, any -- just extension. Have you seen any kind of meaningful correction in the Albuterol revenue base sequentially in the US, sir?

Umang Vohra: Yes. We have seen a slight decrease in Albuterol. That's linked to our share decrease, which we think has stabilized now. There was a situation in the market, where the largest family of Albuterol in the US, which was the family of ProAir, that one had -- unfortunately, there seem to be some kind of a supply imbalance there because of which a few families -- non ProAir families stepped up to take share. And now we're seeing a little bit of that readjustment, but we are hoping to grow from here, from the share we have right now.

Surya Patra: Okay. Just last one question, sir, from my side regards to the domestic business. So there is some interesting developments happening. And one is that, obviously, one of the key large size competitors is also moving into the trade generic business. Now in the last one-year period possibly, we have seen almost all the participant in the domestic formulation have either expanded their portfolio or extended their REITs or expanded their sales force.

So any way it is -- all these are creating kind of a competition only. So hence, do you kind of anticipate margin pressure or the profitability challenge for the domestic business? And also considering this competition in the trade generic, do you see any major dynamic changes in the domestic market, sir?

Umang Vohra: No, actually, we don't. We -- there was this issue of pharmacies earlier. That issue now seems to have stabilized a bit. That was the issue of pricing compression. That doesn't seem to be impacting the market. And the realization is that there is very strong growth in India right now, and strong volume growth, and there's also strong new introductions growth. So that's one aspect.

Second aspect, 60% of our country and more lives in Tier 2 to 6 cities. They are becoming more accessible. They want more access to health care, and they have the ability to pay for it. That's one switch, where the trade generics begins to capture the market. And also some of our strategies are to focus our larger brands in this area of the market.

So we don't think there's a REITs that -- it's trade generics versus branded generics versus consumer health care. These are all parts of the same market. You can't look at the total market with just the India represented with metro and Tier 1 of the Bharat presented with Tier 2 to Tier 6. It's actually a combination of the total space.

Surya Patra: Okay. Sure, sir. Thank you. Wish you all the best, sir.

Moderator: Thank you, sir. We take the next question from the line of Mr. Ankush Mahajan from Axis Securities. Please go ahead, sir.

Ankush Mahajan: Thank you, sir, for taking my question and congrats on good set of numbers. So, sir, in the US market as the revenue run rate we are looking, the last quarter you said that revenue rate in the range of USD200 million. Now we have increased it to USD210 million to USD215 million. So sir, just trying to understand that this JV we made, how many quarters, sir, we can get the revenue of this? Especially, what is the contract? Can you throw some light on it, sir -- its business for the next two years?

Umang Vohra: No, I don't think, I can give you a guidance that far out. All I can say is that from -- the last quarter, we were at USD190 million to USD200 million. Now we are at close to USD210

million. That's a reflection of what we think our product families are doing in the US, right? So in the next quarter if I -- if we find that some of our families have fallen off, we will come back and tell you that this is the base level of our business that we are looking at. Right now we are feeling quite comfortable with the USD200 million to USD210 million trajectory, which is what we've indicated.

Ankush Mahajan: Thank you, sir. Sir, another is the extension of another part that you said that about some buying programs and channel readjusting. So would you throw some more light on, sir, these things?

Umang Vohra: Yes. There are some buying -- there are some customers, who only buy from locally made product, right? So that is one readjustment as US companies begin to get --are either closing down or are going through amalgamation. That's one disruption.

Other thing is, there are some buying programs which focus on buying for sustainability versus buying for necessarily price, right? And sustainability could be sustainability of environment, sustainability of supply. So these programs are fairly active considering the shortage situation right now, and that creates an opportunity in some of these segments.

Ankush Mahajan: Thank you, sir. Thanks a lot.

Moderator: Thank you, sir. The next question is from the line of Ms. Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Thanks for taking my question. Umang, on the US number that you mentioned, USD210 million to USD215 million, just to clarify, this is the base that I should assume on top of which we add the new launches that you talked about, the peptides and share gain in Leuprolide and all of that? Is that the right way to look at it?

Umang Vohra: Yes, broadly, Neha. Broadly, yes.

Neha Manpuria: Okay. And on the peptide launches, would this be back-end weighted? Is there anything that is required -- Is Goa critical for the approval of these products or these are third-party and therefore, not so much dependent on Goa?

Umang Vohra: So this is completely third-party. We don't have any dependence on the Goa on the peptide families. We don't also have dependence on Goa or Indore for a large number of other products.

Neha Manpuria: Okay. Understood. So the only thing pending for these launches is essentially approvals?

Umang Vohra: Are essentially Nano-Paclitaxel which is getting derisked and Abraxane and Advair..

Neha Manpuria: Okay. And on the India business, I understand your comment in terms of trying to broad base our presence. We are also adding MR, but if I were to look at the profitability of India business, are we able to improve the profitability of India business? Or is a lot of that growth also requiring us to increase investments, given the competitive intensity in the market?

Umang Vohra: So we are hoping to improve, and we are improving our profitability, Neha. And the reality is that, in India our experience is that an addition of a Rep in India leads to a payback within a six

to nine-month period. So it's not that long as a thing. So I don't think the investment -- India is as investment-heavy in terms of trying to get the incremental rupee of sales.

Ashish Adukia: But it is also a product mix in India that we focus on, as we continue to increase the chronic portfolio. So that will also have a positive momentum to your profitability.

Neha Manpuria: Understood. And Ashish, in your opening comments, you mentioned, provisions that were included in the quarter. Could you just throw some colour on that? Is this meaningful provision that we're talking about? Where exactly is it included?

Ashish Adukia: Yes. So, see, every quarter we have certain provisions on account of -- either expiry of those provisions continue to be there. Only some one-off would be -- we had some recall in the US market. So the recall cost has also been provided for in this quarter.

Neha Manpuria: This is not the Advair recall that happened recently?

Ashish Adukia: No. Albuterol. It was an Albuterol recall.

Neha Manpuria: Sorry, Albuterol recall.

Ashish Adukia: Actually we have made some estimates provided for that.

Neha Manpuria: Understood. Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Mr. Krishnendu Saha from Quantum AMC. Please go ahead, sir.

Krishnendu Saha: Hi, Thanks for taking my question. Just quickly again on the US front. How many launches could we have, just to understand the equation like, what exactly there are -- large amount we ever had so far. How many launches did we have last year? So, does this contribute a high amount for this Q1 with the launches -- heavy launches last year, besides these launches?

Umang Vohra: Yes. Actually, if you look at our portfolio strategy, it is not predicated on necessarily the large number of launches. I think over the last two years, our average will be sub 10 in each year. And -- but we go for ones which are meaningful -- which we think are meaningful. Some of them don't turn out to be meaningful because the market competitive environment has changed.

But of the 7 or 8 that we have launched in the last year, my guess is that, about 3 to 4 of them have been very meaningful for us. And that's how we'd like to look at it, that if we file 15 products a year and we have the opportunity to launch between 10 to 15, 30% to 40% of them should be fairly meaningful launches which tend our trajectory upwards.

Krishnendu Saha: Sure. Okay. All right. Sir, I just needed on the -- this Pfizer plant, we don't -- I don't think, sir, we can take any advantage of the Pfizer plant to be tested by the [inaudible 0:38:49] it was in the U.S. Right?

Umang Vohra: Yes. So I think what we -- so obviously, there's a lot in the press on the Pfizer facility. So I think the issue -- obviously -- it's my opinion that no one facility can step up immediately. We have

also heard that, there seems to be some amount of impact to their stockholding as well. And therefore, it's -- we are waiting for more details. If there's anything that needs to be done to step up to supply, we will. But we do not have explicit details on which product families are needed immediately.

Krishnendu Saha: Okay. But you don't have any idea as to how many products will overlap or something like that?

Umang Vohra: We have some rough idea, but there is no official intimation of a shortage for any of those products as yet.

Krishnendu Saha: Yes, it could come sooner or later. So we have the wherewithal to handle this in the future? Just trying to understand.

Umang Vohra: Yes. I would just say we have the wherewithal, but it's strong Goa, and Goa right now is not...

Krishnendu Saha: Yes, I see. I forgot that. Just on the Abraxane part, it was dependent on the sites transferred now. So is it going to get post a little bit of [inaudible 0:40:06] or 35 could be?

Ashish Adukia: No. I think we are looking at it in the later this year or early next year, actually. I don't think we are looking at this beyond that.

Krishnendu Saha: And last question, just on the holistic side. I suppose our consumer health is INR385 crores, around -- roughly around 14% of the revenue. How do we see that basket? How do we -- what do we concentrate on, when we look at our portfolio? What do we see? How do we increase -- I'm kind of mostly trying to understand, which basket to be addressed, is it going on to women health, little bit of infant care or what? What do we do next to get there?

And if you could also speak about a little bit – because we have a lot of investments in M&A, [inaudible 0:40:55]. How are the bio-similars and so on and so forth with the high-end stuff? So how do you see the investment? Do we see balance sheet investments, or do we do a recall on bio sides? Though we [inaudible 0:41:05] some investments either asset mix to sum partnership. Thanks

Ashish Adukia: So see, I think there are 2, 3 buckets of investment. Towards the end, you talked about mRNA, etcetera. Those are -- for the future, we continue to make some option investments just to make sure that we are -- we continue to have our foot in the door in the [inaudible 0:41:32] and have a commercial right over those products.

Umang Vohra: And on -- just to respond to your earlier question on CHL, which is our consumer business, we're seeing very -- actually, we are very excited about that business because that's a business which we realize that more people want to stay well longer than they are sick. And this is a business that allows people to be able to do that. So we think the categories we are in, which is pain, the category that we're in, which is rehydrating solids, reiterating liquids, cold and flu, cold and cough, these are amazing categories to be in.

And over a period of time, we will open a franchise here for women and mother and child. We think that that's a big segment as well as skin care. So -- and our objective is not to be centric to

just one brand. If you look at our portfolio, we want to be well diversified here because this is a branding game and not be dependent solely on a single product or portfolio.

Krishnendu Saha: So -- but it's going to be the doctor approach, right, still?

Umang Vohra: Not necessarily. This will be advertising. And wherever support is needed, it will be provided by other constituents of the One-India business.

Krishnendu Saha: I'm sorry, last question. How much is trade generic products in percentage of revenue?

Umang Vohra: How much is trade... Sorry, can you repeat? How much is trade generic?

Krishnendu Saha: As a percentage of revenue -- Indian revenue?

Umang Vohra: I'm not sure we're giving that level of detail. But I can tell you that, overall, the market is about 25% to 30% of the total Indian pharmaceutical market.

Krishnendu Saha: Thanks a lot. Thanks for that.

Moderator: Thank you, sir. The next question is from the line of Mr. Bino from Elara Capital. Please go ahead, sir.

Bino Pathiparampil: Hi, good evening and congrats on a great set of numbers. Umang, you said between now and the launch of Advair you don't expect any incremental competition. What is the scene with Abraxane? I'm asking this specifically because I see that Teva got an approval recently, but I'm not sure if they have launched.

Umang Vohra: Bino, the Teva was, to some extent, the first filer on this product on Nano-Paclitaxel. So we have not heard of their presence in the market as yet. I think it's a phase launch that will probably happen over a period of time.

Bino Pathiparampil: Okay. So possibly, they will be there in the market when you come...get in. Okay

Umang Vohra: Yes.

Bino Pathiparampil: Okay. And do you have any -- what's the scene on the market right now in terms of the 1 or 2 AGs in the market, what sort of share they have taken, do you have update?

Umang Vohra: Yes. Our understanding is, Bino, that the market is supply constrained. And therefore, nobody seems to be getting enough amount of product. That's the position right now. So the AGs are probably selling what they are getting and not more than that.

Bino Pathiparampil: Got it. Second, this product in which you have a filing, in generic Dulera, that is momentous on Salmeterol, is there any update? Do you expect any launch in the next 12 months or 18 months?

Umang Vohra: Is your question specific to Europe or US?

Bino Pathiparampil: US.

Umang Vohra: I'm not sure, we have that product in our portfolio, Bino.

Bino Pathiparampil: Okay. Great. Thank you very much.

Moderator: Thank you, sir. The next question is from the line of Mr. Kunal from Nuvama. Please go ahead, sir.

Kunal Randeria: Hi, good evening. Umang, you mentioned that the combination of factors that led to the US growth, right? So would one of the factors be higher primary sales than secondary sales? And by that, wholesalers accumulating more stock because of fear of shortage?

Umang Vohra: No, I don't think so because our -- we do our regular audit processes for chargebacks, and inventory and trade is an input into that validation, and we haven't seen inventories holding going up.

Kunal Randeria: Got it. And secondly, of the 12% growth India, would it be sort of fair to understand that the Galvus contribution could be around 2% or so?

Umang Vohra: The new product?

Kunal Randeria: Yes, the new product which you acquired. Yes.

Umang Vohra: Yes. I mean, overall new products will be, 2% odd. Galvus would be slightly less than that.

Kunal Randeria: And one more second squeeze in. And you mentioned on Abraxane that the market supply can stress some constraint. I think it's a bit strange, Apotex got some decent enough share in the market and again, the share has completely fallen, and it has clawed back almost the entire market. So maybe could you throw some more light on that?

Umang Vohra: Actually, I'm not -- I don't know what specifically is happening, but we can only hear from our -- we only hear routinely from the buying channels in the US. And what we've heard is that, periodically there has been a product that the AG can sell, then product that the brand can sell, then product again that the AG sells. So it seems to suggest that supply is constrained.

Kunal Randeria: Okay. Got it. Thank you. That was my question. All the best.

Moderator: Thank you, sir. The next question is from the line of Mr. Tarang Agrawal from Old Bridge Capital. Please go ahead, sir.

Tarang Agrawal: Hi, good evening. Thank you for your time and congratulations for the extremely strong set of numbers. Two questions from my side. In the wake of development in the US, are you witnessing any changes in your interaction with your customers? There seems to be heightened apprehension around supply shortages, and while shortages are cyclical, their impact seems acute, especially in some specific therapies. So is it resulting in some sort of a structural change in the operating environment? Just wanted to get your sense. So that's one.

And the second, the cash fund is accumulating quite nicely, about INR6,000 crores, and there is reasonable visibility in terms of how the business, especially the states would track. So how

should we see the deployment of this? Some broad areas where we could see this deployment? Thank you.

Umang Vohra: Sure. Firstly, I think on the deployment front, I can take that question first. I think we do see growth opportunities in India. If you want to capture that opportunity -- organic has its own limitation. So therefore, we can constantly evaluate inorganic opportunities in India, which actually pays off well and it is within our expectation of hurdle rate. So India, we will continue to look at opportunities.

And then even in South Africa, which is our core market, we want to grow to number 1 position. And of course, within the hurdle rate that we follow, the cost of capital for the country. So I think the focus will be to do acquisitions -- small acquisitions though in South Africa.

In US as well, wherever there are white space, wherever we find some interesting products in our core strength, which is respiratory and of the other portfolio as well, we would look at opportunities there as well. So inorganic will play a big role in fund deployment within the cost of capital.

Other than that, there is capex, there is increased R&D, and of course, we'll discuss, as we constantly discuss at the Board level on how to best utilize the capital. Sorry, your first question was, if you could repeat, Tarang?

Tarang Agrawal: So basically, I wanted to understand if the shortages that we're seeing in the market -- while the shortages are transient, but is it resulting in some kind of more longer sort of a structural change in the market in the way maybe the channel is behaving or your interaction with your customers?

Umang Vohra: No, I think they want certainty of supply, and I think that's a key thing. And for a person who is our customer, not having supply is the biggest nightmare. So obviously, they want more certainty of supply, and obviously, quality supply. So I think we -- that's what we're hearing more of. So I think, yes, maybe there is a little bit of realignment to get more sustainable supply.

Tarang Agrawal: So does it translate into some sort of a change in the management which they're contracting versus what they used to do previously only maybe perhaps on the pricing? Are they willing to pay a little extra maybe for a sustainable supply or not letting a new customer, new vendor come in that easily to supply, if a sustainable player is already operating?

Umang Vohra: We haven't really seen that in our interactions as yet.

Tarang Agrawal: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Abdul Kader Puranwala from ICIC Securities. Please go ahead, sir.

Abdul Kader Puranwala: Hi, thank you for the opportunity. Sir, a couple of questions on the India front. So this quarter we highlighted that the chronic therapies have been growing. Would it be possible to quantify the amount of field force, what do we have on the chronic versus on the acute side?

Umang Vohra: Yes. I think about 80% -- 75% to 80% of our people are on the chronic side. 20% or so are on the acute side.

Now chronic for us includes respiratory. So I think that's something you need to keep in mind. Broadly, we have about 10,000 odd people, 10,000 to 10,500 odd people. And within that, respiratory is the largest share of reps in that. So acute will be roughly about 2,500 or 3,000 people.

Abdul Kader Puranwala: Understood. And second on the consumables on the India front. So, this quarter, again, on the revenue and margin front, we've done some phenomenal job. I just wanted to again understand your -- that is this due to some bit of a seasonality where -- when we saw some extended summer period in June? Or -- and then how does the full year expectation -- is that is -- earlier, we were planning -- we were factoring a mid-teen for the entire fiscal '24, but we have achieved that in Q1. So are we internally releasing our margin estimates for the consumer business when we talk about this 22% to 23% shift to what has probably happened apart from what the performance in the US has been?

Umang Vohra: Just one minute. So we only got parts of your question because the line was bad. Let me try and just highlight, what you wanted to know. The first was the seasonality in the consumer health care business. Then we lost you, where it was 22% to 23%. I didn't quite get the connection with the 22%, 23%. Can you please explain that?

Abdul Kader Puranwala: Yes. So this -- the 100-bps improvement in your margin guidance for '24, I mean, is that factoring from the uptick, what you have seen in India this quarter, so that will largely continue for the quarter ahead, along with US or it's largely US, which is raising that confidence?

Umang Vohra: Okay, thank you. So the confidence is raised by all our markets, actually. It's -- even though we may think that the percentage increase because the US and India do better, they are larger businesses. But frankly, if South Africa does better, our margin profile improves dramatically because the South Africa business gets a tremendous leverage from top line growth. So it's all our businesses that raises our confidence profile of our EBITDA trajectory.

Now on consumer business, we have a large category in oral rehydrating solution, the ORS. And this time, this summer, unfortunately, only peaked sometime in the north in some part of June because the rains came earlier and there were rains throughout the summer. So actually, we have seen a slightly more muted quarter than we had expected in our consumer healthcare business.

Having said that, quarter 1, quarter 2 are always the largest in this business. So we've not had a full season this time, the way we would have liked to see it in the consumer business. But despite that, it has shown the type of growth it has.

Abdul Kader Puranwala: Got it. And one final, if I may. This is again a follow-up from what the earlier participant was asking. So when we're talking about the supply chain rebalancing, so from a volume front, I know few players are exiting in the market. So incremental flow of these volumes, how is that getting captured? Is it that the buyer groups have been trying to be little conservative now and they're not assigning the entire or the lion's share of the volumes to one supplier alone and this

is getting scattered, or the trend largely continues to be the same that the largest guy keeps on becoming larger here?

Umang Vohra: No, I think it's a diversification of sources, for sure. I think that's happening. At the same time, the discussion is also on longevity of the contract. So I think both of those issues are happening at play.

Abdul Kader Puranwala: Sure. Got it. Wish you all the best. Thank you.

Moderator: Thank you. The next question is from the line of Mr. Shrikant Akolkar from Asian Market Securities. Please go ahead, sir.

Shrikant Akolkar: Hi. Thank you for the opportunity. Congratulations on the good set of numbers. My questions are pertaining to the price erosion. So can you please provide your current thinking on the sustainability of the currently easing price environment as well as the shortages in the US generic?

Umang Vohra: We've answered that question, but I'll repeat it. We see that the price erosion is kind of stabilizing now because of the number of people, who have exited the markets and the pending restructuring that's happening in the US based companies. So the shortages are leading to some of that. Some of that is being led by the rebalancing of trade channels. So yes, pricing pressure is abating a bit.

Shrikant Akolkar: For the rest of the calendar year or fiscal year, how do we see that? Is it -- will it remain in the currently easing environment? Or do you think that there is a possibility that higher supplies would come in and the price erosion would go back to the normal levels that we have seen in the last year?

Umang Vohra: I'm not sure we can -- I can only talk about the current quarter because this is a trend that responds to the number of players and the type of launches. So in the current quarter, we think it may be like quarter 1. I can't give a view of what will happen in quarter 3 and quarter 4.

Shrikant Akolkar: Understood. One more question on the price erosion. Is that -- is it possible for you to break down the US portfolio in a couple of buckets and provide some colour on what proportion of your US portfolio is seeing price erosion or is benefiting because of the shortage situation?

Umang Vohra: I'm not sure, we give that level of detail. We look at an overall number of price erosion, and we factor based on that. It used to be at the higher level of high single and double digits, it's slightly reduced a bit now. It's very difficult to characterize, which family sees an increase now because it's a factor of mix. It's a factor of price adjustment. So that's why we don't give clarity in that regard.

Shrikant Akolkar: Okay. And the last question on Albuterol inhaler recall recently that we have done. So what is our challenge? And have we resolved this issue currently?

Umang Vohra: Yes, the challenge was for a specific number of batches, and those we have recalled. I don't think we saw the same issue in other batches. We have done an analysis, and we feel confident about it.

Shrikant Akolkar: Got it. Thank you so much.

Umang Vohra: Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Krishnendu Saha from Quantum AMC. Please go ahead.

Krishnendu Saha: Again, just a clarification. Abraxane, we -- this is not our own development, we got it from someone, right? Just sketchy about that thought.

Umang Vohra: No, it's a Cipla product. Abraxane is a...

Krishnendu Saha: Sure. Thanks. That's it.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Ajinkya Pandharkar for closing comments. Thank you, and over to you, sir.

Ajinkya Pandharkar: Thank you, all. Thank you for joining us for the earnings call. If you have any questions, please reach out to us at investor.relations@cipla.com. Thank you and wishing you a very good day ahead.

Moderator: Thank you. On behalf of Cipla Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.