31st October, 2021

(1) BSE Limited
Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Scrip Code: 500087

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

Scrip Code: CIPLA EQ

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Societe Anonyme
35A Boulevard Joseph II,
L-1840 Luxembourg

Sub: Q2 FY22 - Earnings Call Transcript

Dear Sir/Madam,

We are enclosing herewith copy of the transcript of the Company's Q2 FY22 earnings conference call dated 26th October, 2021. The transcript is also available on the Company's website *i.e.* www.cipla.com under the Investors section.

Thank you,

Yours faithfully,
For Cipla Limited

RAJENDRA KUMAR CHOPRA
Digitally signed by RAJENDRA KUMAR CHOPRA
Date: 2021.10.31 14:13:12 +05'30'

Rajendra Chopra
Company Secretary

Encl: as above

Prepared by: Juzer Masta

“Cipla Limited Q2 FY-22 Earnings Conference Call”

October 26, 2021

MANAGEMENT:	**MR. UMANG VOHRA - MANAGING DIRECTOR & GLOBAL CHIEF EXECUTIVE OFFICER, CIPLA LIMITED**
	MR. KEDAR UPADHYE - GLOBAL CHIEF FINANCIAL OFFICER, CIPLA LIMITED
	MR. NAVEEN BANSAL – HEAD, INVESTOR RELATIONS, CIPLA LIMITED
MODERATOR:	**MR. KAWALJEET SALUJA - KOTAK SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Cipla Limited Q2 FY22 Earnings Conference Call hosted by Kotak Securities Limited. As a reminder, all participants' 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.

I would now like to hand the conference over to Mr. Kawaljeet Saluja from Kotak Securities Limited. Thank you and over to you, sir.

Kawaljeet Saluja: Thank you, Stanford. Good evening, everyone. On behalf of Kotak, I thank with Cipla management for giving us the opportunity to host their 2Q FY22 earnings call. From Cipla, we have with us Mr. Umang Vohra - Managing Director and Global CEO. Mr. Kedar Upadhye - Global CFO and Mr. Naveen Bansal from the Investor Relations team.

I now hand over the call to the management team for their opening remarks. Over to you, Naveen.

Naveen Bansal: Thank you so much, Kawal. Good evening and a very warm welcome to Cipla's quarter two earnings call. I am Naveen 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 estimates 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, including the impact of COVID-19 that should cause our 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 confirmations, future events or otherwise. With that, I would like to request Kedar to takeover please.

Kedar Upadhye: Thank you, Naveen. Good evening to all of you. We appreciate you joining us today for the second quarter earnings call for the financial year 22. Before I begin, I hope that all of you and your families are safe and well. These are also festive times ahead. And I have always believed that pharma is amazingly complex sector, and you all keep doing amazingly good work.

A lot of hard work during the course of the year. I am always impressed by your commentary and your direct and indirect push to management teams to improve the performance. So, I wish that you know you get to spend decent time with your family during this festival days ahead.

Coming to the quarter, we are pleased to report historically the highest quarterly revenue with a 10% YOY growth. Our continued trigger on cost and operating efficiency while continuing our focus on growth linked investments have helped us deliver robust EBITDA margin ahead of 22% for the quarter. We expect these efficiencies to continue in the coming period as well.

The 10% growth was driven by sustained momentum in branded markets of India and South Africa, and emerging markets. On a high base of FY21 last year, the growth in one India is impressive and lead by sustained traction across core therapies both in prescription and trade generics business, despite significant moderation in the COVID contribution.

EBITDA percentage of 22% ahead is in line with our guidance and includes inventory provision deemed appropriate for the COVID inventory that we are carrying. Our working capital levels reflect our commitment to ensure the continued serviceability of supply given several headwinds in the sourcing environment.

Our US revenues continue to see desired traction led by Albuterol and now with Arformoterol in Quarter 2. We have also witnessed steady momentum in the select products, which positions the portfolio to better respond to price erosion seen in the rest of the portfolio.

And our free cash generation and operating efficiencies continue to drive our strong net cash position. Coming to the financial performance, we wanted to highlight certain specifics. At a company level the contribution of COVID was little more than 5% for this quarter, adjusted for the same revenue growth of the company is at a strong trajectory of more than 10% on a like-to-like base of last year.

As alluded in Q1 call, while our emerging market business is recovered during the quarter, select products in our European operations have seen some bit of competition. Similarly, tender flows in SAGA was also partly impacted by some delays in the order confirmation from clients.

But the quarter overall income from operation stands at Rs. 5,520 crores. Gross margin after material cost stood at 61.3 for the quarter, while the gross margin was in line on a year-on-year basis, the sequential decline of 100 basis points is attributable to change in mix on account of normalization in the COVID portfolio and normalization of the API profit share with some inventory provisions that I referred to early.

Total expenses, which include employee costs and other expenses stood at Rs. 2,157 crores, increased by 3% on a sequential basis. Employee costs for the quarter at Rs. 878 crores. It declined by 1% on a sequential basis. The other expenses which include R&D, regulatory, quality, manufacturing and sales promotion stood at Rs. 1,279 crores. They increased by 6%, largely driven by sales linked variable expenses that we incur for various geographies.

Total R&D investment for the quarter is about Rs. 274 crores, or 5% of revenue. All priority projects continue to be on track, and we expect R&D spends to respond to the clinical trial program going forward. Reported EBITDA was Rs. 1,226 crores or 22.2% of sales.

The effective tax rate is 28.5% and we reported profit after tax of Rs. 711 crores, or 12.9% of sales. As of 30th September, our long-term debt stands at R720 million. These are for operating requirements at South Africa. During the quarter we have prepaid the outstanding $137.5 million

in InvaGen acquisition debt. With that we have completely repaid all the loan for the US acquisition.

We have working capital loans of $74 million, Rand 337 million and Australian Dollar 5 million, which act as natural hedges towards our receivables. Driven by our relentless focus on cash generation and rigor on cost discipline, during the quarter we continue to be a net cash positive company. Outstanding derivatives as a hedge for receivables as of 30th September are $155 million, South African Rand 666 million, Australian dollar 17 million, £7 million and €6 million.

Further outstanding derivatives are the hedges for payables as of 30th September, are $11 million and €1 million. We have also hedged a certain portion of our forecasted export revenues. The outstanding cash flow hedges as on 30th September are $280 million, Rand 460 million and Australian dollar 9 million.

As you are aware we had announced the scheme of demerger for our consumer health business and the India based assets of the US business. We continue to believe that the scheme will simplify the structure, maximize efficiencies, and it has the potential to unlock value for all the stakeholders of the company.

We did an extensive assessment, and we understand that certain changes in the regulatory environment have made it feasible for the proposed transfer to be done quite efficiently through an alternate option and without the need for a scheme of arrangement. Accordingly, in the meeting today, the board has approved not to proceed ahead with this scheme and to examine transfer of these businesses by way of a more efficient option.

To close, we saw robust momentum across portfolio and geographies for first half. Growth levers in the subsequent quarters will include continued momentum across all regions. Robust traction in our respiratory franchise in the US and continued launches. And thirdly, pivoting businesses to sustain strong execution and driving expansion in the operating profitability. I would now like to invite Umang to present the business and operating performance. Thank you.

Umang Vohra: Thank you, Kedar. I would like to wish all of you and your families a good health and I hope that everyone is safe and well. We continue to support the government efforts on ensuring availability of our COVID and other life scaling products.

We are pleased to see the robust vaccination rates in the country and are happy to report that 89% of our colleagues across our operating geographies have taken at least one dose and 59% have been fully vaccinated.

Coming to the strategic updates and operational performance, I am pleased to see continued delivery reflected in the robust performance for the quarter driven by our branded markets of India and South Africa, supported by the unlocking of our respiratory franchise in the US and traction in emerging markets despite geopolitical headwinds.

Our EBITDA margins for the quarter came in at 22.2% and continue to reflect our commitment to maintain the trajectory in FY22 despite significant moderation in the contribution of Covid versus the previous year. In India, One India strategy continues to see seamless execution. After delivering over a $1 billion for our One India franchise in fiscal year 21, we are tracking towards delivering $1 billion of revenue for our branded prescription business in India.

On a high FY21 base, which included COVID products, the One India business grew 16% year-on-year driven by robust traction in core therapies, despite expected normalization in the contribution from COVID product levels that we witnessed in the earlier waves.

The revenue growth of 25% adjusted for core-COVID products over quarter two of the previous year stands at testimony to the strong on-ground engagements with healthcare professionals and the strength of our large brands. We believe and are hopeful that this traction is likely to continue for the rest of the year, as COVID-19 cases respond to the vaccination drive across the country.

The branded prescription business continued the strong performance during the quarter driven by sustained volume growth across almost all our therapies. Our acute and respiratory nebulization businesses are also tracking well. As per IQVIA MAT-September 21, we continue to maintain ranks and market shares and our key therapy areas across respiratory, urology, anti-infective and cardiac.

Over the last three years, we have forged strong partnerships with several MNC organizations for the strategic widening of our therapy base with specialty offerings across cardiology, anti-diabetic, oncology franchise. With an ambition to increase access to innovative medicines and enhance our chronic portfolio, we have also recently announced a partnership with Eli Lily for the diabetes franchise. This is of course subject to regulatory approvals.

The trade generics business and consumer businesses have continued to deliver strong growth across flagship brands in respective businesses for their quarter.

Coming to our North America business, the US generics core formulation sales for the quarter were a multi quarter high of $ 142 million in line with our expectations for the sequential run rate. Select products like Diclofenac, Sertraline, Escitalopram and Esomeprazole have witnessed steady momentum, which along with Albuterol has helped in inching up the run rate and offsetting the price erosion in the rest of the portfolio.

As per IQVIA week ending 8th October 21, we have clocked an 18% share in Albuterol and Arformoterol which we launched in the current quarter has garnered about 39% share in the generic market. Difluprednate ophthalmic emulsion, which was also launched during the quarter has also tracking well in terms of the desired contracted share.

We continue to maintain strong focus on the adequate supply of products and prepare for upcoming complex launches in the subsequent quarters. On Advair we have responded to the

CRL to the USFDA, and we will continue to share the updates on progress on the file as we hear more.

We have been in continuous communication with the FDA for the Goa plant. We are awaiting the inspection scheduled from the agency. Coming to SAGA, which includes South Africa, Sub Saharan Africa and GGA, the overall SAGA region reported robust growth of 8% on a year-on-year basis in U.S. dollar terms.

Our South Africa private business reported 20% growth over last year for the quarter in local currency terms. In secondary terms, we continue to maintain market beating growth of 8.7% versus the 5.4% private market growth as per IQVIA MAT August 21. The Sub-Saharan and CGA tender business as we mentioned earlier, witnessed some delays in order confirmation from the client.

Our international markets reported 14% revenue growth year-on-year in U.S. dollar terms. Our emerging markets business rebounded after resuming Middle Eastern supplies, which demonstrated strong performance in our direct to market businesses and from the contribution from COVID therapy products. We have witnessed incrementing competition in Europe for a select category leading to lower than anticipated performance.

We expect to offset some of these headwinds with traction and new launches in the subsequent quarters. During the quarter, we launched bevacizumab biosimilar under partnership in Spain to strengthen our oncology portfolio.

Turning now to our outlook, we continue to strengthen our revenue streams with a differentiated portfolio. Our product development capabilities and de-risking the supply chain across our markets. We are witnessing emerging demand patterns across our businesses amid gradually recovering COVID environment. We are geared up to capitalize on the opportunities across the healthcare ecosystem to drive a robust portfolio momentum and strategic capital allocation.

Our near-term priorities include, the continued execution on the demand levers in the chronic and acute therapies, improvement in manpower, productivity across the branded and generic markets of India and South Africa. Active advancement on innovative consumer centric products to accelerate the augmentation of a Global Consumer Wellness franchise across both India and South Africa. Continue to lead and grow respiratory categories like Albuterol and achieve our fair share in several other products that we are likely to launch. Monitor our key filings and accelerate our global lung leadership aspirations. Maximize the value opportunity in the US complex generics with continued launch momentum and manufacturing facilities in a state of compliance and control. And continue the high vigil on cost and cash management, operating margins and the return on capital employed.

With this, I would like to thank you for your attention. I wish you a very happy festival season and for those of us in India Very Happy Diwali. And will request the moderator to open the session for Q&A.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prakash from Axis Capital. Please go ahead.

Prakash: My first question is on the gross margins. I mean you had a good growth across India, and you know South Africa all the branded generic market, which has very good gross margins. In US you have good market share across key products. Just trying to understand what has led to, you know, marginal dip in the gross margins? Has the increase in raw material led by China or other factors affecting us, and what is the outlook on the same?

Kedar Upadhye: Yes Prakash, there is some escalation on the Chinese source items, which was there actually in first quarter as well. And some of that last year as well. I think incremental to the quarter is the provision that I referred to. Some of the COVID inventory we had to adjust based on the recoverability. So that is the only thing, which is incremental to the quarter, Prakash.

Prakash: How much is that? Sorry I missed that?

Kedar Upadhye: So about, maybe you should take somewhere 80 to 100 basis points.

Prakash: So, this is non-recurring is what you are saying?

Kedar Upadhye: Yes, I mean every quarter we will have to sort of keep making an assessment. As of now our assessment based on the existing balances that we are carrying I think we have taken this provision in the books.

Prakash: So, if we adjust for that, your gross margins were actually better than what you have seen in the past?

Kedar Upadhye: Correct.

Prakash: Okay, and is there any outlook how do you see it forward?

Kedar Upadhye: See actually if we go geography-by-geography, what we are driving is mix improvement. What we are driving is discipline on pricing and the best we could do to deal with some of the headwinds. And I see a lot of headroom to improve, you know, for each business and at a company level.

Prakash: Yes, so on the blended basis it is looking northwards is what I wanted to understand?

Kedar Upadhye: Yes.

Prakash: And my second question is on the US. So, US while you alluded to, you know, increase in market share plus you had couple of new launches where you have got very good market share. If you see the QoQ performance is pretty flattish. Any particular reason? Is there a base business price erosion which has increased or is this not converted into realization, and it would be converted into upcoming quarters? How should we think about it?

Umang Vohra: No, I think Prakash here the issue is that the price erosion is there on the rest of the portfolio. Our launch momentum is continuing to keep us ahead. I think we have one of the few companies which is recording a growth actually quarter-on-quarter sequentially. In the US the growth should be higher when we have the bigger launches coming.

Prakash: Okay. And lastly on Advair, is there any color which you can share of the progress?

Umang Vohra: Well, the agency we know is reviewing our file. We have not especially got any further communication from them.

Prakash: It remains of fiscal 23 approval and launch?

Umang Vohra: Yes, that is correct.

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

Tushar Manudhane: First on the biosimilar fronts we have good number of products now which are like kind of out license, but if you could throw some light in terms of the overall investment, which we would like to do in this segment in terms of manufacturing or product development?

Umang Vohra: I am sorry, could you repeat your question please?

Tushar Manudhane: So, we have a decent number of products in terms of out licensed in the biosimilar space. We would like to understand like if there are any thoughts on the investment in this segment in terms of manufacturing and or product development?

Umang Vohra: See, we have recently announced a JV for the regulated markets in the world, and overall biosimilar development. So that over a period of time, I think the costs will come in for that, and the objective is to take a few products to the market. The rest of the partnerships we have are more commercial partnerships on biosimilar. So, they are already in our number.

Tushar Manudhane: So, in terms of like the number or the amount of investment which we envisaged over the next two years?

Umang Vohra: I do not think two years will be significant at all because some of the products we are after are going to be launching after four years or five years. So, I do not think the next two years we will see that amount of investment, but it will gradually build up.

Tushar Manudhane: And then secondly, anything further on Goa site from the USFDA inspection perspective?

Kedar Upadhye: Umang, the question is do we have update on the Goa site. So Tushar, there is nothing specific that we can give. We are in touch with the agency. Updates are frequently being sent. You know, we believe we are in a good shape for the agency to inspect the plant and we are working with them for a re-inspection.

Moderator: Thank you. The next question is from the line of Foram Parekh from Choice Institutional Broking. Please go ahead.

Foram Parekh: Sir, I just wanted to know like Ex of Albuterol, what would be the price erosion in our base portfolio in North America region?

Kedar Upadhye: It is not cross the historical percentage. It is still I mean if I recollect it used to be mid to high single digits. So, at an overall portfolio I think it is still at that level. But product by product the trends could vary, and I think the price erosion in my view and my experience is always a product-by-product metric which plays out.

While we may mathematically add up at overall business level, that is not how it plays out in reality as you can guess. So, I do not have any evidence to say that it is either significantly reduced or significantly gone up compared to the historical erosion percentage.

Foram Parekh: Okay so then we can assume that the new launches in Albuterol would continue to mitigate the price erosion going forward?

Kedar Upadhye: Yes, that is true. Mitigate and grow the base, correct.

Foram Parekh: Okay. And my second question is sir, you had guided last con call that EBITDA margin for FY22 would be above 22%. So, do we still stand tall on that amidst the raw material price hike and China issues?

Kedar Upadhye: Yes, our attempt will be to stay in line with what we spoke. There are headwinds, but there are tailwinds as well and as I said, I think improved pricing discipline, mix improvement whatever we could do on addressing cost base, I think all these levers are available for us to stay within our guidance.

Foram Parekh: Okay and sir, last question if I miss squeeze in, please. Sir, can you just guide on the CAPEX side what would be the incremental CAPEX if any?

Kedar Upadhye: The CAPEX for the current year is in the magnitude of Rs. 800 crores to Rs. 900 crores or so, forum. That includes investments for automating our manufacturing infrastructure that includes couple of API projects, couple of new lines. Capacity additions on reactors and maintenance CAPEX. And some laboratory lab setup cost as well.

Moderator: Thank you. The next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: Umang, just couple of questions. One is on the Albuterol. I think 18% market share you mentioned out of the generic suppliers only, right? Not of the total market because IMS on the total shows 15%?

Kedar Upadhye: Yes, we have mentioned Anubhav. On the slide, we have mentioned 18.2 is between authorized generics and generic generics. In the total market, it is little less than 15%. You are right, Anubhav.

Anubhav Agarwal: Sure. Sir, just two observations there. One is that the brands are not losing market share. So, there are still about all brands put together still about 20% share for some time now and second Cipla's share has been it is good share at 15% but been around this 15% now almost for more than a quarter or so. Can you just comment on both the observations when will Cipla start to show increasing share and why brands are not losing share?

Umang Vohra: Anubhav, I think this is a category where frankly all the shares that have been gathered by the two recent entrants are all from the brands only. I do not think that over the last one, one-and-a-half years the share that people have increased I think brands have also lost share. There is one brand which does not have a generic alternative as yet. And I think that brand, you know, may have also a strategy for holding on to their share in the marketplace. But I think the brands will gradually begin to lose share.

I think the initial uptick in the shares has happened, and I think that from a Cipla perspective we have guided earlier also that we will see a gradual ramp up from here on, on shares and Proventil used to be 8% category. It is now 15%, 16% category of the total market and we kind of see that this will continue to inch up, but gradually.

Anubhav Agarwal: And the second question is on the margins expectation for next year. I am not asking for guidance there, but if let us say, Advair approval for us get delayed for whatever reason, right. So, let us say, would you still think that this margin trajectory for the company 22%, 23% can continue with Advair, without Advair?

Umang Vohra: Yes, I would like to believe it. I mean, I think the big one there would not be so much whether the core business margin would continue because the core business stands today without Advair or anything else. But it is also a combination of how our R&D spends begin to ramp up with respect to the new respiratory products that will go into clinical trials.

So, I think there could be, you know, there could be 1% of R&D increased and some operating efficiencies balancing that out. But by and large we are committed to this trajectory.

Anubhav Agarwal: Sure. And just last question on the COVID run rate. So, we were doing about Rs. 100 crores a month Covid run rate in second quarter. By and large, right? Would this run rate would have come down to less than Rs. 50 crores per month now with much lesser Covid cases?

Umang Vohra: Yes, broadly for India, yes you are right. Our COVID run rate is probably down to that I mean it fluctuates month-on-month. So, there is no real, you know, I cannot say it is 50 per month or 60 per month because it is now become more localized as outbreaks happen. But yes, we have significantly lower versus last quarter. As well as actually versus the previous year quarter on COVID.

Kedar Upadhye: Yes, I mean just some numbers Anubhav to model. I think especially India revenues have seen a 60% dip between quarter one to quarter two. So, if India was 150 per month now quarter two is only 60 per month. And we have to see how that stays in the balance of the quarter. So, that is the India Covid revenues for you.

Anubhav Agarwal: And some Covid will always stay. It is not going to disappear. Some part of the revenue base will stay.

Management: Yes.

Moderator: Thank you. The next question is from the line of Kunal Damesha from Emkay Global. Please go ahead.

Kunal Damesha: So, the first one is on the other expenses. On a sequential basis if I exclude the R&D, the other expenses have gone up by around Rs. 67 crores. But do you think that the Rs. 1,000 crores run rate which we have in this quarter, that is the run rate which will continue? Or do you see some more costs coming back as, you know, now things normalize because I think July was also slightly impacted by COVID. So, any color would be helpful on that part?

Kedar Upadhye: No, I think on the cost with respect to the detailing work, which is happening in India, some of the field activities in international markets and all other activities in the plants and depots, etcetera. I think current quarter builds most of that. This quarter sequentially has gone up, which I refer to in my section is all because of the variable sales linked expenses.

So, we do have some sales commissions and fees like, you know, commercial fees. The increase is all on account of this variable sales linked expenses. And that part will be trending appropriately with the sales level. In my view, the fixed part, you know, which is outside this variable I think mostly current quarter bakes in all those specs.

Kunal Damesha: And since that part might not move a lot and our gross margins could improve by 100 basis, which is because of nonrecurring inventory. So, is there are chance for a higher margin for the second half?

Kedar Upadhye: See I mean the overall margin will always be subject to several variables. We have committed to what we have spoken in the past on the margin trajectory. I mean, it becomes difficult to sort of give quarter-by-quarter guidance or estimate on the gross margins because it is subject to several variables in revenue top line costs our activities.

So, we would not want to get that. We would stay with what we have communicated and obviously long term as we said there is a headroom to improve for each region and at an overall company level.

Kunal Damesha: Sure, and in that case, would you just like to, you know, can you provide, let us say some more detail on a couple of, you know, headwind or tailwind, which you see which could impact the profitability?

Kedar Upadhye: Yes, the biggest tailwind is the launch momentum. And the biggest headwind is the commodities inflation. And the escalation in the Chinese source materials. Some of that we have already seen in the first quarter and second quarter as well. But the launch momentum will be the biggest tailwind.

Moderator: Thank you. The next question is from the line of Surya Patra from Philip Capital. Please go ahead.

Surya Patra: First question on the respiratory. So, we have seen obviously you are the sector is doing well in terms of achieving their long derivatives in the global market. With domestic delivering strong over 20% kind of growth. And Albuterol is also doing great. So, in the global market is it the cost advantage that is helping us achieving part aspiration and in the domestic market or in the emerging market this strong growth is it also currently influenced by the COVID related aspect, and it may subside subsequently? If you can clarify on these two aspects of respiratory?

Kedar Upadhye: I think let me put it this way. The first is there is a technical barrier to respiratory. I think in most emerging markets we have crossed it and recently in the launches in US also we are showing that we can do that. And of course each launch is different. Each product is different. So, we have to stay humble because it is not a carte blanche that, you know, you have launched an MDI so you can launch a DPI.

So, we are well aware of that and are working expeditiously to launch these. So, one is the technical ability to get a product, to get a robust replicable product, and to get it approved. And of course since some of the emerging markets of the world, cost is also a very important part of the overall supply chain, and I think we have been at both cost and capacity. And we have both of those.

Surya Patra: And whether it is also benefited in any way by COVID related despite the domestic as well as emerging markets which might?

Umnag Vohra: Yes, when the COVID wave was pretty high and that it was an early part of quarter 1 and also to some extent in US and I would say 12 months back we saw that the COVID wave was high. That time of course there was a little bit of benefit for the inhaler's sale as well.

Surya Patra: So, even second thing on the in-licensing business activity that we are planning to do. So, there is an observation that it will take over gradually over last let us say 12 months to 18 months kind of timeframe. There is a significant achievement that we have seen in all of our important markets, whether it is domestic market, Africa, emerging markets like Australia and all that.

So, there is a rising trend of in-licensed product and important ones. So, is there a kind of conscious decisions to expand and monetize our reach or the marketing capability so that it will indirectly to some complement our margin expansion from the existing cost?

Umang Vohra: Look, I think, the way we looked at the in-licensing strategy is with the product patent regime in India. The ability for Cipla to offer itself as a partner to take therapies deep for some of our multinational partners and that is what we are, you know, that is the alliance we are signing up and I think this gives a good leeway because with the product pattern regime in India you cannot really launch products unless the patents are off.

So, collaborating for in-licensing some of these products is a good model in our view, and it also gives us a head start, you know, when the product goes generic.

Surya Patra: Yes, so just last one question sir, on the Revlimid. Is there any kind of preparedness from our side for the ultimate launch plan for Revlimid in the US?

Umang Vohra: No, we have, I mean if the question is, will we be prepared to launch when we are allowed to, yes. The answer to that is, yes. And, just like any other launch, then we will be prepared.

Moderator: Thank you. The next question is from the line of Nitya Balasubramayam from Bernstein Research. Please go ahead.

Nitya Balasubramayam: Umang, can you update us on generic Abraxane where are you on the review with the FDA as well as some color you can give us on the respiratory pipeline?

Umang Vohra: Yes, certainly. I think on Abraxane, you know, we are in communication with the agency and the review of our file and the questions that are we being asked. I think we are responding to that. On your second question was on the respiratory pipeline. I think progress is pretty much on track with how what we communicated last time. And we will be introducing more products into the clinical trial as well. Meanwhile, the review of the files that we have already filed are ongoing.

Nitya Balasubramayam: Umang, on generic Abraxane do you have TAT date from the FDA?

Umang Vohra: The TAT date is there, but the TAT date it is consequential and inconsequential in some way. It is consequential for our own review, but there is a market formation date, which is probably more important in the case of that product.

Nitya Balasubramayam: And I presume the Goa facility inspection is also a critical path?

Umang Vohra: Yes, that is correct. For Abraxane, the inspection has to happen because it is from the Goa facility.

Nitya Balasubramayam: On the respiratory pipeline, I think Umang, you had mentioned a partnered asset which you are already filed. And two other assets which was supposed to be in clinical trial. So, are you on track to? I think the last time you mentioned you will be filing somewhere in FY23. Are you still tracking all those timelines and any updates you can give us on the partnered assets?

Umang Vohra: Well, the partnered asset set is already I think the data has gone out and obviously the FDA is reviewing it. So, that is on consistent. I think the other product also yes, we are on track to filing. Another product also at the end of FY23. And, you know, we will be initiating clinics on one very shortly.

Nitya Balasubramayam: My second question was on if you could help us understand the rationale behind the CHL demerger because your One India strategy was supposed to enable you to leverage synergies across your branded, trade generics and consumer products, and this seems to be not in line with that strategy. If you can help us understand your thought process there?

Umang Vohra: Yes, certainly. I think it is the CHL, the strategy for the One India piece is to look at products and where they create maximum amount of value both for the company as well as for the stakeholders of the company. And I think if you look at the CHL platform, it is a great platform where we build tremendous capability and being able to brand products. There are consumer division, and the marketing division looks very good. So, it is all one entity. It is one ziplar.

And we figure out which part of the business is best place to take a particular portfolio and products that lend themselves to consumerization have the ability to go down a certain route and I think the aggregation of a branded business in one entity gives tremendous options to shareholders and stakeholders at a later date both from the placement and the marketing of the product in the current term, as well as from a the ability to look at a branded business in total at a later time.

Nitya Balasubramayam: That we get. My question is if that is the case then why the demerger and how does it help you?

Umang Vohra: Well, the merger helps because you are putting all your branded and consumerized assets into one entity. That does not mean that because the entity is, right now all these entities are subsidiaries of Cipla.

So, the One India strategy happens irrespective of which subsidiaries it may lie in. For example, some of our brands that we sell in the prescription business may be lying with another subsidiary of the company. But that does not mean that they do not belong to the One India business. So, it is just a placement of assets here, and I think at a future date there will be, you know, options available on how we could structure a branded business to continue to further the progress of some of these plans.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Umang, two questions. One is on Albuterol. You know in recent times have you seen a price based activity increasing? I mean pricing based competition, you know, that being a bigger strategy for your company is coming through and leading to heightened pricing erosion in the overall space versus what you have seen in the initial days?

Umang Vohra: Well, there has been more entrants, certainly. I mean from the time we came in, there is also been another competitor. I think we see normal price erosion on Albuterol, not something which is destabilizing the market. If that is your question.

Nitin Agarwal: No, what I really meant is, so is it leading to a situation where our say a pricing depression versus the volume increase sort of netting itself out in terms of our ability to get incremental absolute dollar increases on our contribution for the product?

Umang Vohra: Yes, actually where we are, we are very happy with how the overall value monetization for us has happened in this space. And as I mentioned earlier, we are okay with and we have been mentioning this over the past two or three analyst calls that we are okay with, you know, a gradual increase in share from here.

As against the upticks in share where we pick up 5%, 5%, 7%, 7% chunks of market share. I do not think that is where we want to go. So, we are okay with a gradual ramp up from here. We are conscious of the amount of effort that goes into manage and maintain a supply chain as well as, you know, we are conscious of how best we are served with the share value dynamic.

Nitin Agarwal: Secondly, when we look through the US business, we look through the next four to six quarters, barring Advair how do we see the complex or meaningful $10 million, $20 million launches in the portfolio? How should we look at that from a timing perspective?

Umang Vohra: I think most of, you know, look, we have TAT dates which are there but realistically I mean if I was to probably hedge a little on the side of comfort, I think starting quarter three we should have a fair number of you know high value launches coming in for the US business. So, I think it is really the next two or three quarters where we will have launches. I think I am also quite confident that the next 2 to 3 quarters will result in some potential meaningful launch or launches. But I think the bulk of the work will really happen from quarter 3 of next year.

Nitin Agarwal: That means second half of next year onwards?

Umang Vohra: Yes, second half next year I think the launch trajectory is very well shaped up. And I think in the interim also we will have launches. But really the big momentum will come at that time.

Nitin Agarwal: The last one on the India market, I think this quarter was a slightly unusual quarter. If I may, in the sense of the very high, you know, acute of you know driven sales which came through for industry. I mean, as we head into the winter season, which is typically on lower quarter for an acute perspective. How should we look at our India business in the second half instead of going forward given the fact that you have got a pretty substantial base over the last three or four quarters courtesy COVID, courtesy very high infection driven sales in this quarter?

Umang Vohra: Yes, I think we had two impacts versus the previous year. The previous year had a significantly larger Covid base. And it had very little anti-infectives base. And because there were hardly any viral infections and other infections going around, when the COVID outbreak was there in the previous year. This year we have seen almost significant reduction in the Covid and, you know, an increase in anti-in factor.

I think the winter season typically for Cipla is when the respiratory sales begin to peak, but if your question is whether I can give you a certainty in terms of how each of these will play out? I think they constantly change, every 15 to 20 days we are seeing different market shifts and patterns. I think we are hoping to see a relatively strong respiratory season this time in quarter 3.

And I think over a period of time, the India growth will begin to moderate back to its historical average of 10% to 12% in the industry growth. And of course, we will try to be higher than that.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: Yes, my question pertains to the Antiretrovirals. Do you expect a degrowth now onwards?

Kedar Upadhye: No, I think we should be able to hold on to the current base. For the quarter, we explained there was some bit of a delay in order confirmation from some of the tender based agencies. But we do not expect significant decrease from here. We should be able to hold on to the current base.

Charulata Gaidhani: Okay, that is for SAGA?

Umang Vohra: Yes, I was referring to CGA, which includes ARVs largely.

Charulata Gaidhani: Okay and what about ARVs in India?

Umang Vohra: See ARVs in India in fact is doing well and we do not carve that out separately. But there we have won, you know, couple of high value tenders and that is going fine.

Charulata Gaidhani: Okay, and can you give the value for consumer health and trade generics in the quarter?

Kedar Upadhye: We can, we will take it offline, Charulatha. We do not necessarily mark that separately, but we could give you indicative numbers. From the investor deck you have seen the kind of brands which are there in the consumer health business. We have spoken about Omnigel growth. We have spoken about Cipcal. So Omnigel has grown by 41% in the first half. Cipcal grew at 16%. Cofsils grew at 58%, Nicotex, which is the flagship brand, grew at 13%.

There are lot of emerging consumer brands in India now. So, we have Prolyte ORS. That in fact grew at 110%. So, I am giving you first half YoY growth, Charulatha. Clocip grew at 59, Cipla did not grew at 52, Maxirich grew at 44 and then there are brands in South Africa also and all of this is seeing very healthy traction.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Just taking the previous Nitin's question. So, Umang, when you are referring to a strong second half next fiscal you have in mind Revlimid, Abraxane and Advair in mind?

Umang Vohra: Yes, I mean those would be our pipeline products Sameer, yes. I had that in mind.

Sameer Baisiwala: And these are sort of, you know, looking at their progress or settlements, its regulatory progress, or settlements etcetera they are heading towards that second half next fiscal sort of time zone?

Umang Vohra: That is correct, yes.

Sameer Baisiwala: And just on biosimilars your JV with Kemwell. If you get the share, you know, what would be Kemwell's role? Is it only product development or would they also be doing commercial scale manufacturing? And second is, is it limited to respiratory biosimilars? And if so, then what about onco and immuno biosimilars?

Umang Vohra: Yes, I think Kemwell is very strong in manufacturing. Manufacturing and analytical capabilities related to manufacturing, so they are our chosen obviously partner and that their role is basically doing this, and of course the two organize. We do the commercialization and the two of us do development together. So right now, where we are is we are trying to set this up.

We have not obviously it is a new JV, and it is we have the first thing that we need to put in place as a team which is the work in progress. On the product selection yes, I think there could be a combination of respiratory and oncology, but each product will have its own merit of being chosen with the perspective of trying to be among the first to enter the market.

Sameer Baisiwala: Okay, so it is not only respiratory, but that is what I think our PR says?

Umang Vohra: No, it is respiratory. It is largely it is going to be more structured around respiratory, but if we come across an exciting product on the oncology immuno space we will pick it up.

Sameer Baisiwala: And it went through the JV only?

Umang Vohra: That is correct.

Sameer Baisiwala: And what is the current contribution from Biosims in your overall sales?

Umang Vohra: Across our markets I do not have that number readily available. Maybe Kedar can send it later.

Kedar Upadhye: We can come back.

Sameer Baisiwala: I mean it would be less than 5% sort of a number or?

Kedar Upadhye: Yes. That is true.

Sameer Baisiwala: And just on India business, Kedar, just get a clarification. Did you say that it is 5% contribution from COVID back to your overall India sales?

Kedar Upadhye: No, that is total at a company level. The India Covid sales in, you know, from quarter one to quarter two have got moderated by 60%. Yes, but what we mentioned overall percentage is at a company level. So, there is some international revenues also which we have shipped this quarter.

Sameer Baisiwala: And just on the field on the ground activity in India is everything normalized medical reps or doctor calling, etc., is it back to life sort of pre-COVID or is it any different?

Kedar Upadhye: It is back to life. Everything may not be offline. So, I think some of the trainings, some of the cycle meetings, some of the doctor interactions. In terms of number of activities, I think the attempt is to go back to what we were, but I think the mode of that is not exactly in line of pre-COVID mode and some of that may be offline. Some of that may be online, but yes, our people are on the ground. The attempt is to meet identified set of doctors per day. So, I think it is a hybrid model more offline than online if you compared to last year.

Sameer Baisiwala: Okay, where do you think, this is going to sort of, you know, mature, or stabilize between virtual doctor calls versus and physical meet, is it like 80:20 or anything in your mind?

Kedar Upadhye: Somewhere there, Sameer somewhere there and our feedback suggests that both the pharma companies and the channel partners and the customers doctors are sort of adjusting to this hybrid modality. So, whether it is 80:20, 90:10, I think the times only will tell.

But in terms of the detailing activity, most of that is back. Except as I mentioned, you know the cycle meetings etcetera may not be 100% there. Conferences are not happening, international travel is very smaller compared to what it was, but everything else is largely started.

Moderator: Thank you. The next question is from the line of Anubhav Agarwal from Credit Suisse. Please go ahead.

Anubhav Agarwal: Question one is an aberration. The comments that you mentioned so, is it that we have to do any data on that we do the data or is it just some questions which we need to respond, and you can still launch by September timing which you have the settlement?

Kedar Upadhye: No, I think we have to respond to some questions as well. And obviously you know some of those questions means we have to redo some of the data etcetera to respond to it, which I think we are doing on average.

Anubhav Agarwal: But is it major data that you will have to do that there is a risk that you may not be able to come by September 22?

Kedar Upadhye: No, look I do not know whether we are confirming a September date or not, but I just know that most of these launches will happen in the second starting quarter two quarter three because the product is also, I mean the settlement terms are confidential for each party. So, I cannot confirm a September date.

I can just say that yes, we are on track and most of these launches will happen in the second half of next year.

Anubhav Agarwal: And second Umang, this is a repeated investor questions which for some reason keeps coming every quarter, but I would like to reassure investors that game that you have continuity with the firm?

Umang Vohra: Based on what we have heard, I should have already have left, and I have been sitting somewhere else, but no. My confirmation is that I am very much here. I am actually in the role. I have just signed a new contract so very much here.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Naveen Bansal: Thank you everyone for joining us on the call today. In case you have any follow-on questions, do write to us on Investor Relations@Cipla.com or you can reach out to either myself or Ankit from the Investor Relations team. Have a good night ahead. Thank you so much for joining us.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Kotak Securities, that concludes this conference. We thank you all for joining us and you may now disconnect your line.