POWER OF EMPATHY
TRUTH OF SCIENCE

"Eris Lifesciences Limited
Q3 & 9M FY24 Earnings Conference Call"

February 13, 2024

MANAGEMENT:

MR. AMIT BAKSHI, CHAIRMAN AND MANAGING DIRECTOR
MR. V. KRISHNAKUMAR, CHIEF OPERATING OFFICER & EXECUTIVE DIRECTOR
MR. NAISHADH SHAH – DIRECTOR – SWISS PARENTERALS LTD
MR. SACHIN SHAH, CHIEF FINANCIAL OFFICER
MS. KRUTI RAVAL, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY24 Earnings Conference Call of Eris Lifesciences Limited.

We have with us on the call today, Mr. Amit Bakshi - Chairman and Managing Director; and Mr. V. Krishnakumar - Chief Operating Officer and Executive Director.

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. Please note that this call is being recorded.

I now hand the conference over to Mr. V. Krishnakumar - Chief Operating Officer and Executive Director of the company. Thank you, and over to you, sir. Please go ahead.

V. Krishnakumar: Welcome everybody, to our quarter three conference call. As we start today's conversation, we will start with recapping our journey since the public listing till date. We had our public listing in FY17. If we look at where we've travelled over the last 6 years, our market rank at the time was number 29 and we were addressing a covered market of around Rs. 35,000 crores. Over a period of 6 years, we have evolved to market rank number 21, and now we address a covered market of around Rs. 90,000 crores.

Over this period, we have generated an operating cash flow of around Rs. 2,100 crores and secured external funding at competitive rates. In terms of capital deployment, we have invested around Rs. 1,900 crores in inorganic growth. We have deployed another Rs. 400 crores by way of capex and another Rs. 400 crores by way of dividend and buyback.

We have expanded our market share in Diabetes, which is our core therapy area, from 3.5% to 5% and in VMN from 1% to 2.5%. We have successfully diversified into new therapies, which include Dermatology, CNS, Women's health, Nephrology, and Insulins. All of this has been achieved, while keeping the fundamental strength of our business model intact. Our 6-year average Gross margin continues to be more than 80%, EBITDA margin of more than 35% and operating cash flow to EBITDA ratio of more than 75%.

We have achieved significant diversification in our specialty mix over the last two years. Our core therapies of Diabetes, CVD and VMN, which used to account for 76% of our revenue now account for 63% and our Emerging Therapies, consisting of Derma, CNS, Women's health, and Nephro, now account for nearly 30% of our revenue.

There has been a clear-cut value creation through our Dermatology acquisitions. As you all know, we deployed Rs. 1,265 crores across 3 deals in FY23, primarily to build up our Dermatology franchise and we are happy to share that the expected revenue of this business in the current financial year is to the tune of Rs. 375 crores, with an EBITDA of Rs. 130 crores. This marks significant value creation over a period of less than a year, where we have an FY24 EBITDA margin of 35%, which is up from 24% in FY23 and 10% in FY22. So effectively, we have paid a one-year forward multiple of 10x EBITDA for this acquisition, which represents the financial discipline that we exercise when we evaluate deals. This experience has also helped us realize that we might be good at turning around under-optimized businesses.

We expect strong cash generation and significant growth ahead. The projected operating cash flow from our business during the next three financial years is expected to be in excess of Rs. 1,800 crores and the projected operating cash flow for the next 4 to 5 years is expected to be in excess of Rs. 6,000 crores. As we look ahead in terms of where we want to be over the next 4 to 5 years, we clearly articulate our vision 2029, which is that we want to be a Rs. 5,000 crores revenue company in FY29.

In terms of initiatives to get there, we would like to announce our acquisition of Swiss Parenterals, which is a segue for us into the Sterile Injectables space. Swiss Parenterals is a dossier-driven business in generic and specialty injectables focused on emerging or RoW markets.

What makes Swiss Parenterals attractive to us? To walk you through some of the key points, Swiss, currently derives 100% of its business from the export of Sterile Injectable products to more than 80 RoW markets in Africa, Asia Pacific, Middle East, and Latin America. We find this a very exciting platform to build an India Sterile Injectables play.

With a strong product portfolio and manufacturing capability that Swiss brings to the table, it provides the ideal platform for us to launch an India-focused Sterile Injectables business. Swiss manufactures the widest range of SVPs in its two manufacturing units in Gujarat. These are accredited by more than 50 regulatory agencies, including some of the more stringent regulatory bodies like EU-GMP, Brazilian Anvisa, Mexican Cofepris and Australian TGA.

We find Swiss' business model very interesting. It's a dossier-driven model, which is technically an IP-driven business. The existing product range comprises of more than 1,000 active dossiers across nearly 200 molecules, and the growth pipeline consists of another 1,000+ dossiers across existing molecules and more than 40 new molecules.

Swiss has an R&D team with significant sterile development capability, including complex technologies such as liposomal, microsphere, oil-based and depot injections. Swiss has a strong set of financials, with the FY23 revenue of Rs. 280 crores, a 37% EBITDA margin and a 25% Profit after tax margin. The business model of Swiss is debt free and cash accretive.

Looking ahead, the combination of Eris and Swiss Parenterals throws up some new and very exciting growth opportunities. To walk you through these opportunities, Eris is presently focused on the Indian market and Swiss is presently focused on the RoW market. The core competence for us today is that we have a strong platform as a leading domestic pharmaco, and we are present at more than 8,000 mid-sized hospital OPDs across India.

The platform that is provided by Swiss gives us a direct entry into the Small Volume Parenterals market in India. So, we will leverage the Eris platform and Swiss product range to establish an SVP Branded Formulations business in India. This is an additional addressable market for us of more than USD 3.5 billion per annum.

Swiss' business is predominantly an Injectables business now, but the channel presence and the distribution reach of Swiss in the RoW markets gives us the opportunity to build an oral solid dosage business in the RoW markets. Towards this, we will leverage the Eris oral solid manufacturing capability, Swiss' RoW channels and distribution presence and the marketing expertise of Eris Lifesciences.

As far as the core business of Swiss, i.e of small volume parenterals, we will continue investing in expanding Swiss' product range, dossier portfolio and market coverage. The addressable market here is a significant opportunity. Because RoW generics has a market size of more than USD 120 billion, where Steriles account for about USD 12 billion and Orals account for more than USD 100 billion.

To give you a quick overview of the manufacturing footprint of Swiss Parenterals, Swiss has 2 manufacturing units based in Gujarat. Unit 1 is for General injectables and Unit 2 is for Betalactams and Antibiotics. As you can see, these units are capable of manufacturing the widest range of sterile dosage forms, including liquid vials and ampoules, lyophilized, pre-filled syringes, dry powder injections, inhalation anaesthetics and so on. Unit 2 has dedicated blocks for Betalactams, Penicillins, Cephalosporins and

Carbapenems. Both these units are presently being run as a single shift operations, providing significant additional capacity for growth.

To take you through some of the details around R&D capabilities and regulatory accreditations, Swiss operates an R&D lab which includes state-of-the-art formulation development, analytical development, and pilot plant infrastructure. It has a team of 15 R&D professionals, with a track record of having developed complex dosage forms. Swiss facilities are accredited by more than 50 agencies worldwide. Some of the illustrative ones being EU-GMP, Brazilian Anvisa, Mexican Cofepris and Australia TGA.

Swiss brings an impressive collection of intellectual property, with a product portfolio of more than 1,000 active dossiers across nearly 200 unique molecules in 80+ countries and a pipeline compassing another 1,000 dossiers across existing and 40+ new molecules. All in all, we believe this is an ideal platform for Eris to leapfrog into Sterile Injectables and the RoW markets.

To also remind ourselves of Eris' oral solid manufacturing capability, we have two manufacturing units at Guwahati and Ahmedabad, which are capable of a wide range of oral solid dosage forms, including tablets, capsules, and soft gels. The Ahmedabad unit also has the ability to manufacture ointments. Both these units are WHO-GMP compliant. Going forward, we propose to secure PIC/s approvals for these facilities and jump start RoW exports by leveraging Swiss' channel relationships.

To give you an overview of the deal contours, Swiss Parenterals has been valued at Rs. 1,250 crores, which implies 11-12x EBITDA multiple of FY24 expected Ebitda. Eris has signed a definitive agreement for acquisition of 51% equity stake in Swiss Parenterals Limited for a consideration of Rs. 637.50 crores. Out of this Rs. 200 crores will be paid at closing and the remaining Rs. 437.50 crores will be paid after 12 months from closing.

An additional 19% stake in Swiss Parenterals will be acquired at closing by the Eris Promoter Group for Rs. 237.50 crores. Hence, collectively, 70% equity stake will be acquired by Eris and its Promoter Group, thereby minimizing the additional debt on Eris' balance sheet. The remaining 30% stake will be held by Naishadh Shah, Director of Swiss Parenterals, who will be a long-term equity partner in the business and in charge of day-to-day operations and growth. The purchase consideration payable by Eris at closing, which is Rs. 200 crores will be funded through debt financing. This transaction is expected to achieve financial closure before 31st March 2024.

Now we move to the quarter three performance highlights. I'm happy to share with you that Eris continues to be ranked among the top 10 fastest-growing companies as of December MAT 2023. The IPM growth during this period was 6.8%, and Eris has registered a growth of 12.8%, which is 600 basis points ahead of the market.

This has been driven by market-leading growth in both our core therapies as well as emerging therapies. Our core therapies, which constitute 63% of our revenue consist of Diabetes, Cardiovascular and VMN. The market growth in this segment was 4% and Eris clocked a growth of 7%, which is 300 bps ahead of the market. Our emerging therapies, which constitute nearly 30% of our revenue consists of Dermatology, CNS, Women's health, and Nephrology. Here, the market growth was around 7%, and Eris portfolio clocked a growth of 28%, thereby outperforming the market by a factor of 4x.

Coming to the strategic priorities for FY24 and where we stand at the end of Q3. We had articulated 4 key priorities at the start of the year. The first of them being successful commercialization of our new product pipeline. I'm happy to inform you that the first 2 FDCs from our own R&D pipeline, Sitagliptin-Gliclazide and Dapagliflozin-Gliclazide have been launched in

December'23, and we have also undertaken a strategic launch of a new FDC, which is Empagliflozin + Linagliptin combination.

We have also continued to launch new products in Dermatology, and we have more launches planned for Q4. Margin improvement through Derma in-sourcing was a key objective that we had outlined, and I'm happy to share that we have initiated commercial production in our Gujarat facility in the month of December, ahead of target, and this is expected to ramp up in the coming months. Last but not the least, our Injectable Anti-diabetes franchise has scaled up, with a Q3 revenue of more than Rs. 12 crores and YTD revenue of more than Rs. 31 crores. The current revenue run rate is nearly Rs. 5 crores per month. This business has registered an impressive YPM gain in the span of 1 year. Q3 YPM is trending at nearly Rs. 3.5 lakh, and this represents a YPM gain of nearly Rs. 1.8 lakhs during this year. We have secured approvals for Liraglutide and Glargine from MJ's pipeline and these are lined up for a Q4 launch, with consequent margin improvement.

We continue to be focused on building our own R&D program. Since the last time we spoke to you on this, we have expanded our R&D pipeline to 26 candidates, which includes 2 categories of products - fixed dose combinations, which are first in Indian market [and not so far approved in any of the other significant regulatory jurisdictions], and drugs which are commercially approved in the U.S., which will be launched for the first time in the Indian market. We have an active pipeline of 26 candidates, which are targeted to be commercialized over the course of the next financial year.

Our new launches consisting of line extensions and combinations have done exceedingly well in the first nine months of this financial year, with the extent that three mother brands, Tayo, Gluxit and Remylin, where we have launched several line extensions and combinations, are all set to join the Rs. 100 crores club very soon.

Tayo is currently at a MAT value of Rs. 80 crores in sales and has registered a Q3 growth of 45%. Gluxit is at a MAT value of Rs. 75 crores with a Q3 growth of 21% and Remylin is at a MAT value of nearly Rs. 70 crores with a Q3 growth of 51%. By the end of FY25, we are set to have seven mother brands in our Rs. 100 crores club.

Now coming to the key numbers for the quarter and the nine-month period. Our Branded Formulations segment continues to account for 97% of our total revenue and we registered a 16% growth in our Branded Formulations revenue in Q3 as well as for the nine-month period. We registered a growth of 13% in the Branded Formulations YPM.

Q3 gross margins stood at 83%, which were up by nearly 200 basis points and represents a growth of nearly 20% year-on-year. Our Q3 EBITDA margin stood at 37% which represents a growth of more than 300 basis points and a year-on-year growth of 27%. Nine-month Insulin sales stood at Rs. 31 crores, with a latest monthly run rate of nearly Rs. 5 crores.

In terms of the consolidated picture, Q3 consolidated revenue was up by 15% to Rs. 486 crores and YTD operating revenue grew by 14% to Rs. 1,458 crores. Gross margin was up by 270 bps in Q3 and nearly 400 bps for the nine-month period, demonstrating a year-on-year growth of 20%. EBITDA for the quarter stood at Rs. 175 crores, representing a 36% margin. The year-on-year growth for EBITDA was 28% in Q3 and 26% YTD.

Operating cash flows continue to be robust, with around 70% of EBITDA in Q3 and at 73% of EBITDA for the 9-month period. Profit after tax for the quarter stood at Rs. 101 crores and Rs. 317 crores for the nine-month period. Cash EPS for the nine-month period stood at Rs. 30, which represents a year-on-year growth of 9% and net debt at the end of the quarter stood at Rs. 887 crores. This brings me to the end of this presentation.

Moderator: Thank you very much. We'll take our first question from Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha Thank you for the opportunity. Good afternoon. The first one on the financing of the Swiss Parenterals deal. I think I missed some part as to how the deal would be financed. If you can just help me with that.

Amit Bakshi: Kunal, just a moment. I want to introduce Naishadh who is with me. Naishadh, if you can come close, please.

Naishadh Shah: Yes. Thank you.

Amit Bakshi: Naishadh has been responsible for pivoting the entire export business ie parenteral business from Swiss. He's the person who motivated us basically beyond numbers and beyond the character of the business. We are committed to help each other to make sure that all that we said in the presentation comes to light. If there's any question to Naishadh, he's there with us. I welcome you from my side and also from the team Eris.

Naishadh Shah: Thank you.

Amit Bakshi: KK, you take this obviously.

V. Krishnakumar: Kunal, am I audible?

Kunal Dhamesha: Yes.

V. Krishnakumar: Ok. The consideration payable at closing is Rs. 200 crores from Eris Lifesciences, which will be funded through debt financing.

Kunal Dhamesha: Ok. The Rs. 475 crores will be paid...

Moderator: Please go ahead with your question.

Kunal Dhamesha: The Rs. 475 crores NCD will be sitting on the Swiss Parenterals balance sheet?

Sachin Shah: No. Rs. 437.5 crores of NCD is being issued by Eris Lifesciences to the sellers in lieu of the shares that we are acquiring. Rs. 200 crores is cash and Rs. 437.5 crore is one-year NCD with a coupon rate of 8%, redeemable after one year.

Kunal Dhamesha: Perfect. The second question is on our standalone performance. When I look at our standalone performance, there has been a drop on a Q-o-Q basis, a meaningful drop, but the consolidated seems kind of ok. What's the disparity on the standalone versus consolidated?

V. Krishnakumar: Yes. Kunal, there is one important thing to realize ever since we commenced our Gujarat facility. The Gujarat facility doesn't sit in the standalone business, it sits in a wholly owned subsidiary called Eris Therapeutics Ltd, which doesn't reflect in the standalone numbers. So, a lot of the incremental growth, a lot of the new products, which is very much part of the core Eris Lifesciences base business, is actually sitting in Eris Therapeutics.

That is the reason why you see that it has not been completely reflected in standalone. Which is why, going forward, standalone would not be an adequate reflection of our base business. I would encourage you to look at the domestic Branded Formulations segment reporting that we do, because that is really reflective of our Branded Formulations business.

Kunal Dhamesha: Sure. The third question on the Swiss Parenterals acquisition, while you have highlighted that you will be utilizing the platforms both ways, right, Swiss Parenterals products in India. Have you put any numbers around as to how much you can, let's say, achieve, because the acquisition would probably close very soon. Let's say, in year one, year two or year three targets of how much you can build in India and then how much oral solid franchise you can build in RoW, if you can provide some color would be great.

Amit Bakshi: Kunal, the oral solid piece, which we need to build from the Swiss channel, will take some time. I don't really have a colour. Naishadh has told us that it will be Rs. 30 crores to Rs. 40 crores for this year. But on the Indian business, we are addressing a very, very large market in India. We just showed you USD 3.5 billion, but these data are not reflective of the company's future, because a lot of it is supply also. We have taken a target of around Rs. 100 crores for the first year on the domestic injectables side.

Kunal Dhamesha: Perfect. Let's say, aspirationally, three years, medium-term targets, where do we see? Let's say, the Rs. 5,000 crores revenue target that we have given for FY29, where do you see the contribution of the RoW or India? In FY29, what would be the mix of RoW versus India business? How should we look at it?

Amit Bakshi: Kunal, we haven't really taken a lot of growth in the RoW business as of now because we have to still go through the ropes. We and Naishadh will now sit and plan the entire five-year thing. It has a lot of products and dossier. We haven't really kind of taken those upsides. For example, starting our own marketing in a couple of RoW countries, which some of our peers have really pulled up very well. We haven't taken those into account. Most of the growth which you see here has been on the domestic piece.

I don't feel that a 2% to 3% market share in injectable is a very difficult thing. Also, Kunal, understand that at least, in my view, there is around Rs. 10,000 crores to Rs. 15,000 crores of market, which needs to be backward integrated. Whether it is complex injectables or PFS or some kind of liposomal and that is where the competition has always been limited in the Indian market also. Right now, we are thinking that if it is like Rs. 40,000 crores, we feel that we can pull out a 2% market share over a period of time.

That's a broad thinking. But Rs. 100 crores number, which I'm telling you is for next year. And Kunal, these are not businesses which will scale up prescription-on-prescription. When I say Rs. 100 crores don't be taken aback as if it's too much. So, you see the only insulin piece we would be kind of consolidating by Rs. 35 crores - Rs. 36 crores in this year, which is very niche compared to the overall market. That's how the overall thinking going on.

Rs. 100 crores, we have done our numbers, and we have a broader understanding that we will aim for 2%; large part of it will come from products which are a little difficult to enter.

Kunal Dhamesha: Ok. Just one more with your permission. We had kind of a target of doing a revenue of around Rs. 2,600 crores by FY26. Would that target include the Swiss Parenterals number? Or we still stick with our - whatever we had at that point in time, we can achieve Rs. 2,600 crores, and the Swiss number would be additional?

Amit Bakshi: Kunal, I don't have that thought in my mind. Rs. 2,600 crore is coming where from; I don't have a handle, but I can tell you, Kunal, that if everything goes well, we should be in the range of Rs. 2,700 crores+ in the next year.

Kunal Dhamesha: Ok. Perfect. Thank you and all the best.

Moderator: Thank you. We'll take the next question from Sumit Gupta from Motilal Oswal. Please go ahead. Mr. Sumit Gupta your line is unmuted please go ahead with your question. Mr. Sumit Gupta?

Sumit Gupta: Hello?

Moderator: Yes, we can hear you now. Please go ahead.

Sumit Gupta: Thank you for the opportunity. I just want to know what is the gross block addition for this deal in FY25.

Kruti Raval: Sorry, we couldn't hear you very clearly, Sumit.

Sumit Gupta: What will be the gross block addition for this deal?

Kruti Raval: Gross block addition.

Sachin Shah: I think tangibles and intangibles in total will be around Rs. 600 crores. Rs. 600 crores to Rs. 625 crores.

Sumit Gupta: Ok. What will be the depreciation? It is including both tangible and intangible, right?

Sachin Shah: Both. They have tangibles also because all the dossiers will be intangibles as IPs, and the factory and everything will be tangible. Approximately, averaged out it will be 20 years.

Sumit Gupta: Ok. What will be the likely depreciation rate overall, for the next two years, FY25, FY26 going forward?

Sachin Shah: It's a straight-line method. So, everything is equal for 20 years.

Sumit Gupta: Ok. Thank you.

Moderator: Thank you. We'll take our next question from Harith Ahmad from Avendus Spark. Please go ahead.

Harith Ahmad: Hi.

Moderator: We can't hear you clearly, sir.

Harith Ahmad: Am I audible now? I'll try to be louder.

Moderator: Yes, please go ahead.

Harith Ahmad: Thanks for the opportunity. I'm looking at Eris' history over the years, and I see that, so far, we focused on the domestic market exclusively. What prompted this change in strategy to acquire an asset which is...

Amit Bakshi: Yes. If I hear you right, you're saying looking at history, you always wanted to be a domestic focused and what prompted is to get into this asset. Am I right?

Harith Ahmad: Yes.

Amit Bakshi: Look at a broader term, fairly it's about growth. There will be a point of time in the growth trajectory where you will have to move into other geographies, and this is a path which has been taken by everybody, I think, in the industry, if you count all of us who have moved up the value chain. Number one, we were now looking at a Rs. 5,000 crores, and this was in our head for quite some time, that what will be the time when we will look for opportunities, which are other than the Indian opportunity.

In my view, RoW is the best fit after the Branded Formulations business and even in RoW, having a business which is parenteral, with 1,000 dossiers and at this kind of an EBITDA level, is something which we found very, very difficult to get. We might have taken one more year to really get very intensive in terms of looking out. But because this asset we liked so much, Because if you see the parallels, it is difficult to find a parallel of a Rs. 300 crores business, all export and all parenteral and with so many dossiers.

So, number one, it had to happen one day. That's the general way, natural progression of a pharmaceutical company based out of India and second, we just fell in love with both the business and with Naishadh, when we spoke about everything. Put together, we found this is a good time for us to get in.

Harith Ahmad: Ok. My second question is on the business mix of Swiss Parenterals. Can you throw some light in terms of key markets of the company. Revenue mix in terms of Anti-biotics versus other Injectable products. Also, some colour on B2B versus any front-end presence that you have in your current market. Some colour on the overall quality of the business.

Moderator: Mr. Harith, can you please mute your line when you're not speaking, there's some background noise coming from your line.

Amit Bakshi: Yes. I'll pass this to Naishadh. I think he's the most qualified among us to talk about this. Yes, Naishadh.

Naishadh Shah: Thanks for speaking out. To answer your questions, Swiss has a mix of various products in the basket. Out of which, the biggest mix is of the Anti-biotics, what we do. I think the next question, I could not hear because of the noise, but if you can just.

Amit Bakshi: What about the geography?

Naishadh Shah: Geographies, We are predominantly present up till now, in the Southern Asia and Africa, which are growing markets and which are expected to grow much more in the near future. Our focus is also right now on the European markets because that gives us an access to the regulated markets registrations with the non-regulated country presence.

To answer your last question, which was regarding the front-end. Swiss currently operates on a distributor led model, where we are trying to be sure that if we have to go front-end through teams, that's where the domestic expertise of Eris will be taken and that's where I think Eris' partnership or JV with us will help us pivot our growth also, help us to change the trajectory of the growth. Last but not the least, although we are focusing on injectables, the same sales channels and the distributors can be used to also leverage or front-end the products what Eris has on its own basket. And to add on to that, the brand recognition of Eris products which are there in the market right now will play a very important role for us to also catapult that growth towards expanding the portfolio in these countries.

Amit Bakshi: Correct.

Harith Ahmed: Ok. The next one is on the acquired Biocon portfolio. Was there a contribution in the quarter, in 3Q, from the acquired business? Can you share some guidance on the expected growth from this portfolio for FY25?

Amit Bakshi: I think we acquired in November, in mid-November, right. Yes. So generally, there's nothing significant in this quarter, which is expected. But because we trace the secondary sales, I can give you a secondary feel which we have got. We have this business, which was roughly around Rs. 7 crores to Rs.8 crores a month.

I'll tell you two things. The first and the important thing is when we took this business, our gross margins were in the range of 50s, right? Now when we have done the math and the new orders have been placed and we have negotiated and changed the product mix, we think that we can tell you clearly, in Q4 or the first quarter next year, it would be close to 70% gross margin. With the price rise kicking in, which will happen in the next year, it might move a little further. One of the targets which we had was to correct the gross margins. It's in line, and we are not there for any surprise. Now because we had people coming in with this purchase (deal), that is the reason we have seen a strong ramp-up happening. While in the primary the sales expression is quite little, but the secondary has started to come in.

We think in the last quarter, we will be completely in-line with what we had thought. At least Rs. 24 crores to Rs. 28 crores of revenue will come from there. We are expecting this to go to more by Rs. 10 crores to Rs. 12 crores next year. That's what we could have figured out until this point of time.

Harith Ahmed: Ok. My last one with your permission. KK, you mentioned that the Derma business is now tracking around Rs. 375 crores of annualized sales. What would be the like-to-like basis growth that we have seen in this business? Obviously, you talked about some disruptions in the acquired clients from Glenmark and Dr. Reddy's. I was just trying to understand if both brands have addressed at least...

Moderator: Mr. Ahmed, we can't hear you clearly. Can you be a bit louder, please?

Harith Ahmed: Yes, I'll try that again. The Rs. 375-odd crores of Derma sales that we talked about, trying to understand if the acquired brands from Glenmark and Dr. Reddy's, we had some disruption in the initial quarters post the acquisition, so are we seeing some stability there?

Amit Bakshi: Yes, ok. If I get you right, you're trying to ask me what is happening to the acquisition in the Dermatology...

Moderator: Mr. Ahmed, I'm sorry to interrupt. Can you please mute your line? Please go ahead, sir.

Amit Bakshi: It was not very clear. There was a lot of disturbance in the line. But what I could have figured out is he's trying to ask what has happened to the Dermatology portfolio and how is it shaping up. We acquired both these assets in the last quarter of last financial year, if I'm not wrong, one was in Jan and the other was in March. So, Mr. Ahmed, we are quite happy with the progress it has done. You have seen the margins, the way the margins have panned out.

Now on the growth side, what has happened on the growth side? There are a couple of things which I would like to point out. These products were selling on some 3,000 stockists, and we actually got only 400 stockists out of them. This is not a 12-month to a 12-month kind of comparison. Because we got it late in the quarter, it took us some time to get the sales back. But on the run rate basis, we are doing quite well. The good news is that though we have got some beating in the tail brands, when I talk to you about the major brands, which were Onabet, Demelan, Halovate and Sorvate all of these brands are growing very well. A special mention of Demelan, we think it is going ahead - 60% ahead of what we had thought. There are two, three brands which we have missed out. There is one, Luliconazole, which Oaknet also had. So, we have lost around Rs. 3 crores, Rs. 4 crores there.

They have taken around Rs. 15 crores to Rs. 18 crores of stock back this financial year, which is due to the change from one set of stockists to the other set of stockists. When I put everything together, the Derma business is doing quite well, and we have got a good grip on Derma business. You will see this Derma business next year doing pretty well.

Moderator: We'll take our next question from Abhishek Chauhan from Eklavya Capital Advisors.

Abhishek Chauhan: My question is over next 2 to 3 years, what is your guidance on your mergers and acquisition strategy? Is it going to go at the same pace or you're trying to consolidate whatever you have acquired so far?

Amit Bakshi: This answer is always a difficult answer. I am not in a position to say that we are done with everything. That's the reason we actually put out slides telling you how do we think about the cash flows, how it has been in the last 5 years and how will they pan out in the next 5 to 6 years. So, I will answer your more controllable question, that what will happen to the debt.

As of now, we want to have a hard stop at anything which is in the zone of 2 to 2.3. We would not like to exceed that. You see we are building that kind of a capability. That was one of the reasons you've seen the promoters also kind of putting up the cash, and the way we have structured the deal.

Whether we do one more deal, we are not sure at this point, as you know how these things are. Yes, the intent is there that if we get something good, we might as well get it. But the discipline on the EBITDA versus debt is something which we want to abide by.

Abhishek Chauhan: Yes. Other than the debt, my other concern is merger and acquisition. Eris has so far succeeded so well, it's because of the discipline. I like so many things -- for example, you mostly do brand only acquisition, not people-related acquisitions. But if you go at the same fast rate, as an investor, my fear always is whether that discipline will be there, or you will flow along with the speed?

Amit Bakshi: No. No, don't fear. It is limited fuel; you can't run beyond that. And again, I don't want to go to the past laurels that we have done this and that. We know that some things have to fall in place. But look at our history for so many years now. We have been quite prudent. There are a lot of guardrails within the system which will make us take prudent calls.

I can assure you there's no excitement and there's no adrenaline, which comes in from acquisition. It's only when we think it's a prudent capital allocation policy, we think this is something which we can drive, that's the only time we get into it. I must also tell you, we have said ‘no’ more often than we have said ‘yes’.

Abhishek Chauhan: All right. Thank you. I think that puts a rest to my concerns.

Moderator: Thank you. The next question is from Prashant Nair from Ambit Capital.

Prashant Nair: Yes. Good evening. A couple of questions on Swiss Parenterals. Firstly, would you need to invest anything more into the business to achieve what you want over the next, say, 3 to 4 years? Or is the business by itself, as it stands, is currently capable of taking it forward? I'm talking about capital investment in the business.

Amit Bakshi: Yes. I'll ask Naishadh to do the final stuff. But till this point of time, we might have to put in one more plant, which should happen in the next 2 years, with the capex of some Rs. 40 crores. How much?

Naishadh Shah: Between Rs. 40 crores to Rs. 60 crores.

Amit Bakshi: Rs. 40 crores and Rs. 60 crores. Naishadh, you take it from there.

Naishadh Shah: Yes. Thanks Prashant, for bringing up this question. The whole idea to join hands and to do this JV or partnership was that Eris gets a strong domestic injectable presence where they were not predominantly present and to utilize Swiss' IP or manufacturing facilities to the best available extent.

Well, although Swiss will continue doing its export business, there's no restriction on that. In fact, the idea is to grow that, but also help Eris to establish a domestic injectable play. I think for that, if there is a capex requirement, it will be somewhere within a bracket of Rs. 40 crores to Rs. 60 crores, which will be predominantly used for capacity building and maybe front-end.

Amit Bakshi: But Prashant, to answer your question, when we have planned for our capital resources for the next 4 years, we have consistently put a Rs. 50 crores to Rs. 100 crores kind of number in front-end to back-end, which is not necessarily going in Swiss. There are a couple of things which we are looking forward in Women's health and all those things. Side by side, keeping our back-end strong is something which we think is going to be very important in the coming times. So, we do keep that money. How much of that could be used, we don't have an answer now. But there's one plant which Naishadh is putting up just behind the present one, which should be over in 2 years' time.

Naishadh Shah: Yes.

Prashant Nair: Yes. Also, all the revenues, investment, etc, that accrue from Swiss Parenterals, whether it is in India or RoW, would be in the 51% held entity as in Swiss Parenterals? Or would the India business be run through the Eris' P&L? How do you see that being structured?

Amit Bakshi: Very interesting question. Two parts of the answer. Whatever is general segment will all be done through Swiss. If there is anything which is in the specialty side, that will be done by Eris. The simple reason is we need field force. We can't put unlimited field force in Swiss. Swiss will do the large part of the business, which is like the hospital business, and Eris might do the specialty piece. For example, Women's health, there is some amount of biotech here and there. That will be done by Eris. Rest everything, which is the largest chunk, would be done in Swiss.

Prashant Nair: Ok. Just one last question. Naishadh, if you could just once again elaborate on the product portfolio. I just heard that you mentioned it's largely Anti-biotics, but I probably missed the rest of your answer at that time.

Naishadh Shah: Happy to answer that. If I have to bifurcate the portfolio, we have probably 11 lines of sterile products which we manufacture. The larger chunk of sales is coming from Anti-biotics.

But as you know, they're pretty price competitive. The other chunk would be coming from the general injectables, where we do have specialty products, but only export focused.

Now with this JV of sorts coming into picture, we will be utilizing Eris' strength in the domestic market, in the dom form market, to focus those strengths on these high-value molecules, with very high margins on them to go with the domestic formulation. So, it will be a basket of value versus volumes.

Amit Bakshi: Prashant, we'll send you the list across. We have the list of what all we are doing. We also have the list of the geographies. We'll send it along. But it's a good mix of specialty and lyophilized, vial, liposomal, everything. As Naishadh told 11 lines, there's a PFS, there is an inhalation anaesthesia also there. So, it's a very good mixture of specialty and high-end Anti-biotics -- difficult to make Anti-biotics and that is the reason you see the margins being there from the last 4-5 years since we have been kind of looking at numbers.

Prashant Nair: Yes. Thank you. That's it from me.

Moderator: Thank you. We have a question from Gagan Thareja from ASK Investment Managers. Please go ahead. Mr. Thareja your line is unmuted. Please go ahead. Mr. Gagan Thareja from ASK investment managers, can you please unmute and go ahead with your question. There is no response from Mr. Gagan Thareja's line. I'll now hand the conference over to Mr. V. Krishnakumar for closing comments. Over to you, sir.

V. Krishnakumar: Thank you. With a 14% consolidated revenue growth and 26% consolidated EBITDA growth for the first 9 months of this financial year, we are on track to meet our guidance of Rs. 2,000 crores revenue, Rs. 700 crores EBITDA and Rs. 410 crores of profit after tax for the year. On the back of our established specialty presence and strong cash generation, we look forward to achieving Rs. 5,000 crores in revenue by the financial year FY29.

Towards this objective, we have several exciting initiatives underway. We also look forward to harness the growth opportunities that are available to us on account of our acquisition of 51% stake in Swiss Parenterals. We look forward to your support in this journey. Thank you very much and have a good evening.

Amit Bakshi: Thank you.

Moderator: Thank you. Thank you, members of the management. Ladies and gentlemen, on behalf of Eris Lifesciences Limited, that concludes this conference. Thank you for joining us, and you may now exit the meeting.

This document has been revised to improve readability.