"Eris Lifesciences Limited
Q3 & 9M FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M FY22 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. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

V. Krishnakumar: Thank you. Good afternoon and welcome to our third quarter conference call. I am Krishnakumar and I'm happy to share the highlights of the quarter with you.

As per the AIOCD retail audit, the Indian Pharma Market grew at 5.7% in Q3 of this year on the back of a 6.4% growth in Q3 of last year. In comparison, I am happy to share that Eris grew at 7.8% in Q3 of this year on the back of a 14.5% growth in Q3 of last year.

If we look at the first 9 months, the Indian Pharma Market has grown at 18%, but on a very low base of 1% growth in the first 9 months of last year. Whereas, Eris has grown at a 16.3% rate in Q3 on the back of a 7% growth in the first 9 months of last year.

When you see the numbers from the pre-COVID base, Eris has demonstrated a 2-year CAGR of 13.9% which is nearly twice of the pharma market growth of 6.8% during the same period. This has been driven by sustained market leading growths in all of our top 5 therapies; Diabetes, Cardiology, VMN, CNS and Women's health which collectively account for 91% of our revenue. The therapy wise breakup of this growth is available in our investor presentation. Eris continues to feature among the top 10 fastest growing companies in the Indian Pharma Market from pre-COVID levels.

The cardiometabolic market grew by 4.9% in Q2 and 3.3% in Q3 of FY22. This has been the lowest growth rates for this segment in a very long time. In terms of comparison, the four-year median growth rate for the cardiometabolic therapy has been 11.2% per quarter. From a long-term base growth rate of 11.2% per quarter, this market suddenly crashed to 3% and 5% levels in the preceding two quarters and this has obviously had an impact on our primary sales in Q2 as well as Q3. Nonetheless, we view this slowdown as a transient phenomenon and we expect the market to start recovering in the next 2 to 3 quarters. Despite these unprecedented headwinds faced in Q2 and Q3, Eris grew at 7.8% in Q3 versus the IPM growth of 5.7%. In the cardiometabolic segment, which constitutes nearly 60% of our revenue, Eris grew by 15.5% in Q3 which is nearly 5 times of the market growth of 3.3%. In CNS, which constitutes 8% of our revenue, Eris grew by 30% in Q3 which is nearly 4 times of the market growth of 7.5%. In Women's Health, which is another fast-emerging therapy for us, Eris grew at 14.5% in Q3 versus the market degrowth of 2.2% and our VMN segment degrew by 12.4% in Q3 versus the market degrowth of 0.6%.

We continue to enjoy high prescription ranks among our focus doctor specialties as per the SMSRC data for MAT October 21. We maintained our number 3 ranks with diabetologists and neurologists and number 4 ranks with cardiologists and gastroenterologists. We have improved our rank among consulting physicians from number 6 to number 5.

Coming to the financials, our consolidated operating revenue for Q3 stood at Rs. 332 crores which represents 7% growth over Q3 of last year. The consolidated EBITDA for the quarter stood at Rs. 122 crores which is a growth of 13.5% over Q3 of last year. Our consolidated EBITDA margin in Q3 has expanded by 210 basis points owing to improving MR productivity and a better product mix. Consolidated profit after tax for Q3 stood at Rs. 101 crores which represents a growth of nearly 12% over Q3 of last year. The tax rate for Q3 stood at 7.5% of PBT as the Guwahati facility continues to contribute nearly 80% of the total revenue in Q3.

On a 9-month basis, consolidated operating revenue stood at Rs. 1041 crores which represents 11.5% growth. Consolidated EBITDA stood at Rs. 388 crores which represents a 15.5% growth. Consolidated profit after tax stood at Rs. 326 crores which represents a 13.6% growth. At the start of the year, we had guided to a 15% growth and I am very happy to inform you that we are on track to deliver an EPS growth of 14% - 15% in this financial year, on the back of 21% EPS growth which we delivered in the last financial year.

In terms of operating cash flow, it stood at 73% of our EBITDA for the first 9 months of this financial year.

Q3 was a significant quarter for us in terms of a strategic foray to take our anti-diabetes franchise to the next level. On the back of a market leading position in oral anti-diabetes, we have kickstarted our entry into the insulin analogues and GLP1 markets through a joint venture with MJ Biopharm in which Eris holds 70% equity stake. We are on track to launch human insulin next month. We are creating a new division with 140 medical representatives to kick start our insulin business. The next big product from this joint venture would be Glargine which is presently in phase 3 clinical trials. We expect to launch Glargine sometime in calendar year 2023. Other important pipeline products include the Insulin analogues, Aspart and Lispro and Liraglutide which is a GLP1 agonist. We expect to leverage our distinctive patient care platform to bring a differentiated value proposition to our insulin business which is very involved in terms of patient engagement and service.

I am happy to share that our standalone YPM has grown to Rs. 5.1 lakhs in the first 9 months of this year compared to Rs. 4.6 lakhs during the same period last year. As discussed before, this has been a major lever in the improvement of our EBITDA margin from 36% to 37.3% over the first 9 months of the current financial year.

We continue to execute on our identified growth drivers of power brand expansion and doctor reach expansion. We enjoy significant tailwinds in our power brand portfolio with 8 out of our top 15 mother brands continuing to be ranked among the top 5 in their respective segments. This is why we were able to maintain our growth trajectory throughout the pandemic period when Eris grew at a CAGR of 14% which is twice of the pharma market CAGR of 7% during the same period.

Of the 10 new product launches planned for this financial year, we launched 4 products in the first 9 months and we have several more launches lined up in the segments of Diabetes, CNS, and Women's Health in Q4. Significant launches include Human Insulin and Drolute**,** which is our brand of Dydrogesterone in the Women's Health segment. Dydrogesterone is a synthetic progestogen that is used to treat hormonal disorders in women. This is a 500+ crore market which is growing in excess of 40% per annum.

These were the highlights of the quarter. We can now open up for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Sakshi Chaudhary from Mount Infra Finance. Kindly proceed.

Sakshi Chaudhary: Sir, could you speak on the acquisitions and the growth for Eris and also on the outperformance with respect to IPM?

V. Krishnakumar: When you talk about acquisitions and growth, are you talking of forward looking or would you like me to talk about how the historic acquisitions have worked for us?

Sakshi Chaudhary: Forward looking.

V. Krishnakumar: Forward looking would be all speculative. Our last two acquisitions, Strides portfolio and Zomelis have worked very well for us. If I just look at Zomelis which was our last acquisition, we acquired Zomelis exactly two years ago when the sale was Rs. 1 crore a month and now the sale is Rs. 7 crores a month. So 7 times growth in less than 2 years is a commendable performance by any standards. We are encouraged by these kind of value-accretive initiatives we have been able to take, and so we continue to be on the lookout for acquisitions. As we have said before, we don't wish to venture into very far-flung territories, so we will stick to our focus therapy areas of cardiometabolic, wellness, women's health, CNS and potentially dermatology. These areas are segments where we continue to evaluate deals. Obviously, we are starting from a position where our standalone gross margin is 84%, so anything which is less than 70-75% gross margin is a tough sell in our system. Based on all these parameters we do continue to evaluate deals all the time. When will something hit the bull's eye that is very difficult to say. The deal that we did with MJ Biopharm, you could call it an in-licensing deal because it is a true partnership where MJ Biopharm will develop and manufacture and supply the product to us and we will be doing the marketing. We are completely open to inorganic opportunities to further the growth as long as it meets our return expectations. That would be my comment on acquisitions. As far as the market outperformance is concerned, ever since COVID has broken out, the market has become very choppy, it has become very difficult to make sense of the quarterly market numbers. Something is up one quarter and then it is down the next two quarters and so on, which is why we always benchmark ourselves to the pre-COVID base of the market and see where we have moved corresponding to that. And that is where I commented early on in the call that across all our 5 focus therapies we have grown faster than the market compared to the pre-COVID base. In oral anti-diabetes the market has grown at 6% CAGR in the last 2 years and we have grown at 18%. In cardiology, the market has grown at a 9% CAGR, we have grown at close to 17%. In VMN, the market has grown at a 7% CAGR in the last two years, we have grown at 12%. In CNS, market has grown at 8% and we have grown at 17% and in women's health, which has grown at 8% which is the market growth and our portfolio has grown at 13%. This is a very reassuring sign for us because these are the top 5 therapies for us which account for 91% of our revenue and which continue to receive all our investment in terms of going forward. That is bit of a color on out-performance.

Sakshi Chaudhary: In terms of the organic move, do you see opportunities coming your way or to differentiate inorganically?

V. Krishnakumar: Could you repeat that question, are you talking of acquisitions or are you talking of organic growth?

Sakshi Chaudhary: The organic growth?

V. Krishnakumar: What I can say about organic growth is that if I look at the next 2-3 years, as a company we are far more excited about the next 2-3 years and the opportunities coming up organically in the next 2-3 years compared to what we saw in the last 2-3 years. We are heavy weight on cardiometabolic, so whichever way that market goes, we will also go that way. If I just look at the opportunity in the cardiometabolic segment in the next 2-3 years, it is amazing. It is something that we have been waiting for the last 10 years. So the organic opportunity is phenomenal.

Moderator: Thank you. The next question is from the line of Anubhav Aggarwal from Credit Suisse. Kindly proceed.

Anubhav Aggarwal: Just one question on the base business part, when I just take your standalone numbers and if I remove Zomelis and Gluxit from this quarter number and from the base as well approximately, I don't see that our base business is going more than 2-3% here, can you comment what is happening in the base business. In the presentation you mentioned that the vitamin portfolio is not doing well, but still that 2-3% growth is looking very low?

V. Krishnakumar: Yes. If you take out Zomelis and Gluxit, then the two dominant molecules that remain in the portfolio are Glimepiride and Telmisartan and we have all seen what has happened to the Telmisartan market. There has been a secular degrowth in the market for the foreseeable past whatever timeline you take, ever since COVID broke out. And as far as Glimepiride is concerned, we know that the entire oral anti-diabetes therapy is being taken over by the DPP4s' and SGLT2s' at a very rapid rate. In fact, our outlook for Glimepiride growth is very weak over the next 5 years. When we say that we look forward to a robust opportunity in oral anti-diabetes, this entire opportunity is built on the DPP4, SGLT2 and their combinations. The current penetration of DPP4 and SGLT2 in India is 44% and we expect that this penetration will grow by leaps and bounds. We have grown at 18% in diabetes over the last 2 years and a big part of that has come from Zomelis and Dapagliflozin and not just because we were able to participate in these molecules, but because we have consistently been at number one position in these molecules. That has been a big driver of growth. If you take away DPP4 and SGLT2, there is no growth in diabetes, neither for us nor the market. That is where the market is going. As far as anti-hypertensives is concerned, it is again part of that mind boggling phenomenon which I articulated in the start of my call that a market which has grown at a secular 11% quarterly growth rate is suddenly crashing to 3% and 5% levels and starting from the flagship brand Telma in the category, the biggest molecule has consistently degrown. This is part of this phase that we have to go through and there is no way that we will be showing growth when the underlying market is growing slow or degrowing. We don't expect it to last long. We expect that post Q2 the market will recover, but as of now it is what it is.

Anubhav Aggarwal: What is happening in the anti-hypertensive market, where are the Telmisartan patients who are taking Telma, what are they taking now?

V. Krishnakumar: I would request Amit to answer this.

Amit Bakshi: Anubhav, this is the question which we have been asking the prescription data people and also the product data people. The answers which we are getting are like this; number one, whenever the acute therapy becomes very heavy, the overall stocking on chronic goes down. That is how the balancing happens at the stockist level due to his capital management. This is one piece which we are hearing. The second piece which we are still hearing is that there had been a lot of stock-up of chronic medications by patients which has happened in April-May and this stocking would have lasted them a longer period of time. The other thing is there could have been some erosion in the patient pool because of whatever has happened. These are the only three explanations which we have. Other than that it is like anybody's guess.

Anubhav Aggarwal: In the prescription data, sir what kind of data you would have seen; is it like for prescription is it down to low single digit?

Amit Bakshi: Yes, we will send you the SMSRC data. You will see the same reflection in the data also. I missed out one thing, the one thing which people say that the new patient initiation post April-May had gone down because the footfall of the chronic patient hadn't been normalized. People were talking about November-December when normalization was happening quite a bit and then there is the Omicron stuff, so those are the areas where everybody is putting their bets on.

Anubhav Aggarwal: And this weakness in prescription, you have seen only for Telma or you have seen for the entire category?

Amit Bakshi: Entire category. Our representation in the chronic is quite robust. It is not that we are selling some part of the therapy. If you look at our therapy, it is quite robust, so the whole therapy behaves like this. Diabetes, we understand that Glimepiride is no more a first line treatment. What is also working well for us is the combination which we call Glimisave MV where we have kept growing ahead of the market and now we have become number 2 brand; almost Rs. 80-84 crores and still growing by 15% which is the highest growth in the market, but beyond that, that is what it is.

Anubhav Aggarwal: Amit, just one clarity on what KK mentioned is that why it is so weak, what is happening. As you also mentioned Glimepiride, so it is no longer, even if it is combination, let us say, are doctors not using this as a first hand therapy at all now, even combination of glimepiride?

Amit Bakshi: Anubhav, what has happened, people of diabetes were dying of cardiovascular disease and there were no antidiabetics which had a cardiovascular protection profile until the Gliflozins came in. So the ideal treatment of diabetes would have been, one, which reduces the complication, either it has to be Cardiac or Nephro and then it is weight neutral or it loses weight. So Dapaglifozin and DPP4 were one of their kind anti-diabetes, which world had seen. Therefore the whole guidelines have changed. All this depends upon how the American Diabetes Association and The Society of Diabetes, how do they position. They have moved Sulfonylureas to number 3 now. What we expect is that Sulfonylureas will slow down in terms of growth. We will see a very small marginal growth that too not coming from units but coming from value gain. So the Glimepiride era is more or less over, but as we know that drugs do sustain over a long period of time, so the sustenance would be longer, but for example, SMSRC has already shifted this market to a mature market. Sulfonylureas were there for 25 years in the growth market, it has now been shifted to mature market.

Anubhav Aggarwal: What is the doctor's first line to treatment now, between Gliptins, DPP4 versus SGLT2?

Amit Bakshi: The data shows with DPP4. Metformin has always been the gold standard. Post Metformin, it used to be Glimepiride, which has now moved to Metformin and Gliptin and add Dapa as the second line drug.

Anubhav Aggarwal: And just couple of more questions. One is on Dydrogesterone. you are launching this product in this quarter. You mentioned about Rs. 500 crores plus as the market, how big can this be an opportunity for you? Can this be in the next 1 or 2 years, a 50 crores kind of product for you?

Amit Bakshi: 30 crores in the next year and 50 crores very much possible in the next 2 years. We have just launched it and we feel that we will have 6 crores run rate in this quarter. The market is very robust. This is again a complicated API, so we had to pay a license fee to gain access to this. So the competition is going to be limited. I think there are 5 to 6 players as of now and the API is quite complicated, and the market is very robust. It has the potential of changing the entire progesterone market in India and in gynecology, 500 crores is not a small thing, it has never happened before. Other than the progesterone, 500 crores, it is showing around 40% growth, so clearly this is a winner.

Anubhav Aggarwal: And you mentioned that this can be 50 crores for you by end of next year?

Amit Bakshi: 2 years.

Anubhav Aggarwal: And just a related question, this year is largely done now. But the expectation for next year, do you think that on the topline, whether it will be 10% kind of range for us organically or 15% kind of range organically for next year?

Amit Bakshi: We have left this question to answer in Q4, but what I can tell you Anubhav that if the cardio-diabetes market ends up between 5 to 6% or 5 to 7%, in my mind I feel 2 years CAGR will again come back to 10%. So whatever will be left out in this year should be covered in the next year by which I am meaning that this market should grow at 12 to 15% next year because there hasn't been any instance at any point of time where on a yearly basis, this market hasn't grown at least in the double digit and we have seen this earlier in the GST era where there was a blip for a year, but then it gets compensated. You have to understand that we are running a very different game. Last year, we were around 10% growth, industry was 1% because acute was completely down and the whole range of growth came from the chronic, then we get into the next year because of reasons you know, the acute is the king and chronic has taken a back seat. Because of COVID, the secular growth which we had seen over a period of time has got little disturbed, little disrupted. In my mind, cardiovascular market, this year and next year CAGR should be at least double digit, which means that this market will have to grow 12 to 15% in the next year.

Moderator: Thank you. We have the next question from Tushar Manudhane from Motilal Oswal. Kindly proceed.

Tushar Manudhane: Wanted to understand on anti-diabetes again that while the DPP4/SGLT2 category has been aggressively being prescribed, that is impacting the underlying product portfolio as such. Considering that we make 11% CAGR in antidiabetic and 15% to 16% last year, how do we see this therapy growth for us once the new drugs for Gluxit and Zomelis kicks in?

V. Krishnakumar: That is the right observation that the base effect for Gluxit and Zomelis will start kicking in, but what will keep this therapy vibrant over the next 2-3 years is that we have more products that are going to come available to us because of the loss of exclusivity. This is something that we have discussed before, so we don't see a challenge either in the diabetes market growth or for us to be able to sustain the growth in the diabetes therapy over a 2-to-3-year time frame. There is enough and more that will keep rolling off the conveyor. Amit would like to add something.

Amit Bakshi: Tushar, whenever a drug moves to the first line therapy, the new initiation of patient happen in large quantities. If you see how Glimepiride-Metformin had done in the first 10 years vis-a-vis any of these markets, these markets have done far better. So the adoption rate in these markets will continue. We will see a Gliptin grow at a high double-digit level for a very long time of the entire category and for Dapagliflozin these are just early years. It has just been one year when it has been out of patent. It has at least in some form - in combination or alone - 7 to 8 years of very high growth available for its run-up.

Tushar Manudhane: The prospects remain definitely interesting on the DPP4/SGLT2. If I look at it from Eris perspective, the Glimepiride or the Glimisave as a brand, is on a considerable base so to say.

Amit Bakshi: Tushar, we have transited well from Glimepiride to the newer therapies. We are market leaders in two of the brands. Like there is a Glimisave family, the same way in the next 7 years there will be a Zomelis family and there will be a Gluxit family. We have transitioned very well from the conventional now, we have to call them conventional OADs to the newer OADs, even if you look at how our shares are now. Our shares in DPP4/SGLT2 has become more than what is in Glimepiride-Metformin. The transition for us has been quite smooth. Therefore, there is a huge runway for the growth in these areas.

V. Krishnakumar: Tushar, just to supplement that. Glimepiride is very important to us and it is very important to all the companies which rank among the top 5 at the OAD therapy because it is not enough to only have the new molecules because in order to build brands in the new molecules, you need aggressive investments and where do these investments come from? It comes from cash cows like Glimepiride. Between Glimepiride, Zomelis and Gluxit and all the upcoming DPP4s and SGLT2s, they form a neat little package where on the one hand you have a mature molecule which is throwing out the cash flows and these cash flows are being invested into the new growth molecules. This is pretty much the combination that every company, not only us, every company who is in the leadership therapy in oral anti-diabetes, this is pretty much the ecosystem that we are all in and this will continue to be the growth story going forward as well and I had mentioned this to you earlier that we are scripting a 10-year story in diabetes, so between Dapagliflozin and the upcoming molecules, the next 10 years are sorted, there is nothing to worry.

Tushar Manudhane: Secondly on this, given that Q4 would be having good number of launches, so how different would be the other expenses so to say. Will there be a meaningful increase?

V. Krishnakumar: There would be. It is logical to expect that whenever you have new product launches, you will have promotion expenses going up, but since 9 months are already done, so we have a very reasonably good handle on the entire year, which is why instead of talking about Q4, we have mentioned that we are on track to deliver 14-15% growth in EPS this year. That is something on which we have good line of sight.

Moderator: Thank you. We have the next question from the line of Saion Mukherjee from Nomura. Kindly proceed.

Saion Mukherjee: Sir, can you throw light on impact of organized players and online players. What fraction of business comes from there? I am assuming chronic therapy particularly on online mode would have gone up. Are there any discounts there and how the business is getting impacted, what is your view on the long-term impact?

V. Krishnakumar: Saion, there are absolutely no discounts there. Organized pharmacy retail, the only one player who has taken a clear lead in this market is PharmEasy. Overall organized pharma retail accounts for about 3.5% penetration of the IPM, so the penetration is of a similar order of magnitude for us also. It is very interesting to note that there is absolutely no discounting happening in these channels and the kind of working relationship that we are starting to establish with these players is based on a very symbiotic model which is to do with some kind of pay for performance because these people have very insightful data in terms of pincode level performance of our brands which there is no way we can get access to. You take Bombay as a city, they have segmented it into 100 zones and then they tell us that in Bandra your brand is doing this, whereas in Kandivali it is behaving like this. Now that is a lot of insight. So they come up to us with ideas based on analysis of their own data that we believe that this is what you should do, and you should follow an ABC strategy. It is turning out to be a very consultative and symbiotic approach where the end goal is how do both of us emerge with a win-win situation. So far it has been a very positive experience in working with these players.

Saion Mukherjee: There are also influenced brand selection or in any way push their private label. Those are the risks that one can foresee going forward, how are you thinking about it?

V. Krishnakumar: Private label, is a question of time, because these people also have to justify their balance sheets at some point and they cannot keep bleeding cash forever. So it is expected that they will launch private label, but private label will not be in cardiology, it will not be in diabetes, it will not be in CNS, it will not be in any of the hard-core prescription categories. Where private labels will come up is in Wellness. Wellness and nutrition, the whole market has to contend with that and I think it is something where the market will have to achieve an equilibrium over a period of time, but as far as substitution is concerned, these guys do not substitute. That has become very clear now because they want to work with all the top pharma companies, so substituting drugs aggressively will only up one client from that perspective and they don't gain anything. So there is no reckless substitution happening. Private label in wellness category, VMN, I think as and when it plays out we will have to see, but there is no threat of private label in the core chronic therapies that we are in.

Moderator: Thank you. The next question is from the line of Utsav Mehta from Edelweiss AMC. Kindly proceed.

Utsav Mehta: You earlier alluded to Telmisartan and losing a lot of market and generally Sartans is not doing well, could you just elaborate on that?

V. Krishnakumar: I will invite Amit to share his comments on it. I gave Telmisartan as an example to showcase the overall slowdown that has been happening in cardiology and anti-hypertensives in particular and we pick Telmisartan because it is the largest molecule, so whatever happens to Telmisartan sets the tone for the market, but over to Amit for more comments.

Amit Bakshi: The whole market has been in some kind of a slumber this year and Telmisartan being the strongest market has represented most of it. What I was speaking to Abhinav was the same thing. There are three things which we are talking about, but we don't really know what has happened because it is unprecedented and it has never happened and I have talked about all those three things. We are quite hopeful and quite confident that this is a one-year blip and once we look at a 2-year CAGR you will find most of these things coming together because unlike glimepiride, telmisartan is the clear winner, so for any scientific and chemical reason, there could be no disruption. It is only to do with what we have already alluded to and we should wait for a year. They will average out pretty well.

Utsav Mehta: Market issue as such has more sort of time right now some issue rather than…..

V. Krishnakumar: I guess it is the market issue, but it is not because of science or medical reasons because in the case of Glimepiride, there was a clear scientific reason why the molecule was losing ground because there are superior alternatives available in the market. In case of Telmisartan, there is no scientific reason. It is more of a phasing out thing which we believe is the combination of A, overstocking in the prior months and B, because of the acute therapies taking the lead in the more recent quarters.

Moderator: Thank you. We have the next question from the line of Anubhav Aggarwal from Credit Suisse. Kindly proceed.

Anubhav Aggarwal: Amit, I have one question on Dydrogesterone. Can you talk about this market little bit, I don't understand it fully. Why are there only few generics right now? What is preventing this market to have 10-15 generics and given that you are buying the API you are doing formulation yourself or you are just getting the entire product done from outside?

Amit Bakshi: Entire product from outside. My knowledge in OB-GYN is a little limited. But in all difficult pregnancies, whether they have a history of spontaneous abortion or it is a late pregnancy, the biggest task is to hold the fetus for the first three months which is called the luteal phase support. In all these IVF hormones, which you see, most of them are placed towards that three months period where the fetus could be held properly in the uterus. That is the idea and for the same purpose progesterones are used. This was the product which was in-patent and was doing very well. It opened up last year, but the API was very complex.

So the access is very poor because there are only two people who are making the API. So we had to pay a license fee to get access to the product and this product is a clear-cut winner in the gynecology market. It is 500 crores size at 42% growth and it is just opening up, it is in the midst of opening up at a lower price point. You must have heard of the big brand, Duphaston… This is the only progesterone where there is lot of data available for supporting the luteal phase. So we are all of this opinion. While I don't understand this as good as much as I would like to, but we are all of this opinion that this is going to be the biggest market in gynecology.

Anubhav Aggarwal: What is the price at which you have launched your tablet?

Amit Bakshi: We have launched it at Rs. 60 tablet.

Anubhav Aggarwal: Which is very similar to Duphaston?

Amit Bakshi: Yes, so 75 and 60, yes, there is just some saving, but I hope when the API gets more and more popularized, the prices still have a scope to come down.

Anubhav Aggarwal: But at this price, which is a very good price. But you are sourcing it from outside will you be able to make corporate average margin in this product?

Amit Bakshi: No, we will not be able to make it Anubhav in the one-year time, we haven't accounted for that. It is only when the market opens up over a period of time, then the margins will kick in. It is typically like any other product. First 6 months of Gluxit were also like this. Zayo had been like that. So these products will follow this trajectory unless and until that clears out.

Anubhav Aggarwal: Can you just talk about the market size of Vildagliptin and Dapagliflozin today in the IPM?

Amit Bakshi: Vildagliptin is 1000 crores plus, I think 1200 crores, still growing at 19%-20%. Dapa is around 650 crores and this quarter it has grown 90% so it is just crazy. What I meant when I was talking of Glimepiride, we saw some kind of buildup over a long period of time. The buildup in the Vilda and Dapa markets has been very quick and you also have a little bit of price advantage because of these newer products, the price points are higher.

Moderator: Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures. Kindly proceed.

Neelam Punjabi: My question pertains to Dydrogesterone.You mentioned that the 500 crores market growing at 40%, just wanted to know what do you anticipate is the potential market size for this molecule, do you think that it can be a 2000 crores molecule or what if you can please answer.

V. Krishnakumar: If I look at the current level of momentum, then I would not rule it out because things are just opening up and as we discussed previously there is a Rs. 75 price point and then we are launching at Rs. 60 and this is the flow that we have seen in every molecule, molecule after molecules that when the market opens up more and more people start making the APIs and then the time is not far off when you start getting this product at Rs. 50 and Rs. 40 and Rs. 30. As the price point becomes more affordable, the market just explodes, so this is the saga that has played over in molecule after molecule and at such a high price point if Dydro is already at 500 crores and growing at 40%, I would not rule it out that it can become a Rs 2000 crore molecule in a forecast period.

Neelum Punjabi: You mentioned that there are two API players making the API right so if you can name those two players?

Amit Bakshi: It would be little unnecessary to get into that, but those are information which are public, so let me not get into that. The more important thing is the age at which the pregnancies occur these days have moved down substantially, so we are seeing a lot of urban people having their first child in the early 30s. So at a late age, there is more support which is required to keep the pregnancy good, so these kind of products as we have seen how IVF market has grown. This kind of product will keep on having more and more traction over the coming years.

Moderator: Thank you. We have the next question from the line of Vetal Patel from Ventura Securities. Kindly proceed.

Vetal Patel: My first question is, can you please comment on the chronic and sub-chronic segment and if you could throw some light on the future growth, it would be helpful?

V. Krishnakumar: Vetal we spoke about these in the start of the call. The growths of the chronic and sub-chronic segments have been disturbed in the last few quarters because of the unnatural circumstances brought about by COVID whereas the acute market has never seen a double digit or some crazy double digit growth numbers has never happened, but that has been brought about by COVID. The right way to look at the acute market as well as the chronic market is on a two year basis and if I look at a 2-year basis, then the chronic market growth is completely on track, I don't see any aberrations when I look at it on a 2-year basis. It important for all of us to take note that quarter one for the IPM is going to be choppy because there was a huge base in quarter one of FY22 because that coincided bang with the wave two of COVID whereas quarter one of next year we don't expect any COVID. So quarter one of next year is going to be a bit of a washout for the entire market, but post quarter two, if the pandemic starts getting into the endemic phase, then the acute therapies and the chronic therapies will both start normalizing. As far as our core cardiometabolic therapy is concerned, as Amit has already articulated, we are very bullish and optimistic that this market will return to 11 to 12% kind of a growth rate by the end of this year.

Vetal Patel: My second question is, the company is planning on coming up with women's health and derma, so why do you think this is a good product mix, any reasons why you have chosen these?

V. Krishnakumar: Because both of these therapies have a specialty angle to it. One thing that we understand very well in Eris is the specialty play and when we say specialty play, the opposite of the specialty play is a GP play, i.e. General Physician play, which is usually focused on the acute therapies. What we do very well at Eris is working and engaging with specialists, and building mind share and credibility with specialists. This is what we have done for the longest period of time since inception. Incidentally we turned 15 last week - so for 15 solid years, this is what we have done. Which is why when it comes to growth, we are not very excited about acute therapies, we always look for therapies where there is a specialty play. In dermatology, there is a specialty play with the dermatologist and in women's health there is a specialty play with gynecologists. This is the reason.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time that was the last question. I now hand the floor over to the management for closing comments.

V. Krishnakumar: Thank you all for your participation in the call. By way of summary, Eris delivered a Q3 consolidated revenue growth of 7%, EBITDA growth of 13.5% and PAT growth of 11.8% and for the 9-months ended December '21, we delivered a revenue growth of 11.5%, EBITDA growth of 15.5% and a PAT growth of 13.6%. As guided at the start of the year, we are on track to deliver an EPS growth of 14 to 15% in this financial year on the back of a 21% EPS growth delivered in the last financial year. Our standalone MR productivity has expanded from Rs. 4.6 lakh last year to Rs. 5.1 lakh this year and this has led to an expansion in our EBITDA margins. Our power brands portfolio continues to perform well with 8 out of the top 15 mother brand continuing to be ranked among the top 5 in their respective segments. We launched 4 new products in the first 9 months of this year and we expect to launch several new products in the areas of Diabetes, CNS, and Women's Health in Q4. We expect our organic growth to be driven by growth in our power brands portfolio, new products pipeline, expansion of specialists and CP coverage and our expansion into newer specialties. Thank you all. Have a good day and stay safe.

Moderator: Thank you. Ladies and gentlemen, on behalf of Eris Lifesciences, that concludes this conference. Thank you for joining us, you may now disconnect your lines.

This document has been revised to improve readability.